

# REGIONAL DEVELOPMENT OF THE GREATER SALDANHA BAY REGION

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## DECLARATIONS

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This dissertation includes three original papers published in peer-reviewed journals and one AS YET unpublished paper (Chapters 4 to 7). The development and writing of the four papers were the principal responsibility of myself and, for each of the cases where this is not the case, a declaration is included in the dissertation indicating the nature and extent of the contributions of the co-author (supervisor).

### Published papers:

Welman L & Ferreira SLA (2014). Regional development of Saldanha Bay region, South Africa: The role of Saldanha Steel. *Bulletin of Geography, Socio-economic Series*, 26: 219-231. Available at: <https://www.degruyter.com/view/j/bog.2014.26.issue-26/bog-2014-0055/bog-2014-0055.xml>

Welman L & Ferreira SLA (2016). Development of the Greater Saldanha Bay Region: The co-evolution of Saldanha town and its harbour. *Local Economy*, 31(1-2): 219-234. Available at: <http://journals.sagepub.com/doi/abs/10.1177/0269094215623849>

Wellman L & Ferreira SLA (2017). Saldanha: Sea Harvest ‘back[fish]bone’ in the local economy. *Local Economy*, 32 (6) 487-504. Available at: <http://journals.sagepub.com/doi/abs/10.1177/0269094217727265>

### Declaration by the candidate:

With regard to Chapters 4 to 7 (pages 55-114), the nature and scope of my contribution were as follows:

Nature of contribution	Extent of contribution (%)
A review of the appropriate literature, the development of firm-specific questionnaires, the development of firm-	80%

specific interview templates, the conducting of interviews, the conducting of a focus group discussion among major economic players, the analysis of data and the presentation of results. The writing of the first draft of the articles (chapters 4 to 7) and all other chapters.	
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Signature of candidate: .....

Date: .....

The co-author (supervisor) has contributed to Chapters 4 to 7 (pages 55-114) of the dissertation:

Name and e-mail	Nature of contribution	Extent of contribution
Prof SLA Ferreira	Conceptualisation of articles, strengthening of the literature component, editing and revising drafts of articles before submitting for publication in peer-reviewed journals.	20%

**Declaration by co-author:**

I the undersigned hereby confirm that:

The declarations above accurately reflect the nature and extent of the contributions of the candidate and the co-author to Chapters 4 to 7 (page 55-114) of the dissertation.

Signature of co-author and supervisor:

Date:

## ABSTRACT

Globalisation exposes even the most remote spaces to competition, forcing firms, towns and regions to react and adjust to changing and new economic conditions. Over the past 20 years there has been a resurgence of ‘the region’ as a scale of economic organisation and an understanding of the ways institutional arrangements change and shape the evolutionary paths of economies (and firms) over time and space. The evolution of firms (economic players or actors), their creative destruction (or their inability to innovate), path dependencies and economic resilience have significant implications for their own growth performances and for the development of towns and regions.

Since the early 1970s, the Greater Saldanha Bay (GSB) region and Saldanha town on the West Coast of the Western Cape province in South Africa have been high on the national development agenda. Despite various development initiatives, Saldanha town and region have struggled to reach sustained regional development and socio-economic transformation. This research investigated the roles of three main economic players – Saldanha Steel (SS), Transnet National Ports Authority (TNPA), Sea Harvest Corporation (SH) – and the local government (Saldanha Bay Municipality (SBM)) in the growth and development of Saldanha town and the GSB region. The study is positioned within the sub-disciplines of economic geography and regional development studies. The appropriate literature on evolutionary economic geography (EEG), the institutional approach (IA), the new regionalism approaches (NRAs), the neoclassic growth framework and endogenous growth theory (EGT) serves as conceptual bases and has assisted in making sense of the real-life contexts and the local and regional development complexities of Saldanha town and the GSB region.

A mixed methods approach was applied in four case studies where primary and secondary data were collected. Primary data and information were obtained through a firm-specific questionnaire survey (three economic players and the local government); analyses of aerial photos and historical maps were used to map the historical footprint and co-evolution of Saldanha town and Saldanha Bay Port; semi-structured interviews were conducted with the managers of the three economic players and the local government; and a focus group discussion was held between representatives of various economic players (SS, TNPA and SH), SBM, Saldanha Bay Chamber of Business

(SBCB), the Saldanha Bay Industrial Development Zone (SBIDZ) and Duferco Steel Processing (DSP). The primary data was augmented by a variety of secondary data sources consisting of company-specific annual reports, hake industry fact sheets, integrated development plans of the SBM (2007-2018), a SBIDZ feasibility study and data from Statistics South Africa (StatsSA).

The analyses of the three firms revealed a struggle to cope with changing economic (global competition) and geographical (physical and human) contexts. The well-being of the Saldanha town and regional economies is related to the existing formal and informal institutional contexts, the performance of the local economic players (firms), the relevant provincial and national development plans and policies as well as the exogenous factors (eco-labelling of hake, the oil price and overproduction of steel) in the global economic arena. Other significant factors are the historical and current political settings (national, provincial and local) constraining the capacity of the region to shape its own future. The study revealed an overdependence of the local authority on state-led projects in Saldanha town and a lack of initiative and capital to establish its own place-based projects. A slow pace of the development and the introduction of new technologies in the existing and the establishment of new appropriate industries in all the towns of the GSB region was also evident. The future of SH the largest employer in the town, is linked to the biological recovery rate of the hake fishery and the overall impact of climate change on the sustainability of the industry. The survival of SS is important for the local economy regarding the retention of jobs and linkages with downstream industries, but also in South African and African strategic contexts. The future of the local economy of Saldanha town is subject to the re-establishment and strengthening of its connection with its port, the envisaged new economic activities associated with the oil-and-gas service centre and the establishment of a port-town development authority to replace the existing inadequate institutional framework. Strong leadership is needed to create an enabling environment that is conducive to the promotion of the social and economic development of the region. Therefore, the SBM has to be entrepreneurial and it must progress from being supplier of basic services to becoming an enabler of growth.

This research contributes to the academic debate on the differences in economic development between locations regarding the underlying differences in these locations (predestination – geographical factors) and small historical opportunities (or chances). The published results of the

three sub-regional analyses of three different types of firms, the roles of local government, formal and informal institutions (endogenous factors) in the process of stimulating growth and bringing about the socio-economic transformation of the region help to fill lacunae in the existing literature. Moreover, the findings emphasise that local and regional development are ongoing, evolutionary processes in which many and varied outcomes are possible, and that exogenous factors cannot be ignored.

## OPSOMMING

Globalisering stel selfs die mees afgeleë plekke bloot aan kompetisie en forseer firmas, dorpe en streke om te reageer en om by nuwe en veranderde ekonomiese omstandighede aan te pas. Oor die afgelope 20 jaar was daar 'n oplewing in 'die streek' as 'n skaal vir ekonomiese organisasie en begrip vir die maniere waarop institusionele opsette verander en daardeur die evolusionêre bane van ekonomieë (en firmas) oor tyd en ruimte beïnvloed. Die evolusie van firmas (ekonomiese rolspelers), hul kreatiewe vernietiging (of hul onvermoë om te innoveer), hul vasgevangenskap binne sekere ontwikkelingsbane en hul ekonomiese veerkragtigheid het betekenisvolle implikasies ten opsigte van hul eie groeiprestasies sowel as vir die ontwikkeling van dorpe en streke.

Sedert die vroeëre 1970s is die Groter Saldanhabaai (GSB)-streek en die dorp Saldanha – aan die Weskus van die Wes-Kaap Provinsie in Suid-Afrika – hoog op die nasionale ontwikkelingsagenda. Ondanks verskeie ontwikkelingsinisiatiewe, sukkel die dorp om 'n vlak van volgehoue streekontwikkeling en sosio-ekonomiese transformasie te bereik. Hierdie navorsing ondersoek drie belangrike ekonomiese rolspelers – Saldanha Staal (SS), Transnet National Ports Authority (TNPA), Sea Harvest Corporation (SH) – en die plaaslike owerheid (Saldanhabaai Munisipaliteit (SBM)) se bydraes tot die groei en ontwikkeling van die dorp Saldanha en die GSB-streek. Die studie vind plaas binne die subdissiplines ekonomiese geografie en streeksontwikkelingstudies. Die gepaste literatuur oor die neoklassieke groeiraamwerk, endogene groeiteorie, evolusionêre ekonomiese geografie (EEG), die institusionele benadering (IB) en nuwe streeksbenaderings (NSBs) dien as konseptuele basisse en het bygedra om sin te maak van die werklike lewenskontekste asook plaaslike en streeksontwikkelingskompleksiteite van die dorp Saldanha en die GSB-streek.

Navorsingsmetodiek van gemengde metodes is in vier gevallestudies toegepas om primêre en sekondêre data te versamel. Primêre data en inligting was ontsluit deur middel van 'n firma-spesifieke vraelysopname (drie ekonomiese spelers en die plaaslike owerheid); analyses van lugfotos en historiese kaarte is gedoen om die historiese voetspoor en gelyktydige evolusie van die dorp Saldanha en Saldanha Hawe te karteer; semi-gestruktureerde onderhoude is gevoer met

bestuurders van die drie hoof ekonomiese rolspelers en die plaaslike owerheid; en 'n fokusgroepbespreking is gereël tussen verteenwoordigers van die ekonomiese spelers (SS, TNPA en SH), SBM, die plaaslike sakekamer, die Saldanha-baai Nywerheidsontwikkelingsone en Duferco Steel Processing (DSP). Die primêre data is aangevul uit 'n verskeidenheid sekondêre bronne bestaande uit firma-spesifieke jaarverslae, feitestate van witvisbedryf, geïntegreerde ontwikkelingsplanne van die SBM (2007-2018), die uitvoerbaarheidstudie oor die Saldanha-baai-nywerheidsone en data van die Statistiek Suid-Afrika (StatsSA). Die analyses van die drie firmas het blootgelê dat hulle steeds sukkel om aan te pas by veranderende ekonomiese (globale kompetisie) en geografiese (fisiese en menslike) kontekste. Die welsyn van die plaaslike dorp en streek se ekonomie hou verband met bestaande formele en informele institusionele strukture, die prestasie van die plaaslike ekonomiese spelers (firmas), die relevante provinsiale en nasionale ontwikkelingsplanne en -beleide asook die globale ekonomiese arena se eksogene faktore (ekotikettering van stokvis, die olieprys en die oorproduksie van staal). Ander beduidende faktore is die historiese en huidige politieke omgewings (nasionale, provinsiale en plaaslike) wat die dorp en streek strem om hul eie toekoms te skep en te verseker. Die studie het bevestig dat die plaaslike owerheid oorafhanklik is van staatsgedrewe projekte en dat daar 'n onvermoë in die leierskap en gebrek aan kapitaal is om plekgebaseerde inisiatiewe te identifiseer en te vestig. Die studie het aangedui dat die ontwikkeling van nuwe tegnologieë en die vestiging van nuwe gepaste industrieë in al die dorpe van die GSB-streek ook te stadig plaasvind. SH, die grootste werkgewer in die dorp se toekoms is gekoppel aan die biologiese herstelvermoë van die stokvispopulasie asook hoe klimaatsverandering die volhoubaarheid van die visbedryf in die geheel sal beïnvloed. Die oorlewing van SS is nie net belangrik vir die plaaslike ekonomie ten opsigte van die behoud van werkseleenthede en skakeling met ander stroomaf-nywerhede nie, maar ook binne die Suid-Afrikaanse en Afrika-strategiese kontekste. Die toekoms van die plaaslike ekonomie van die dorp Saldanha lê in die herstelling en versterking van die skakel tussen die dorp en sy hawe, die vooruitsigte van nuwe ekonomiese aktiwiteite wat gekoppel kan word aan die olie-en-gas-diensstasie en die vestiging van 'n hawe-dorp ontwikkelingsowerheid wat die huidige oneffektiewe institusionele raamwerk kan vervang. Sterk leierskap word benodig om 'n ontwikkelingsomgewing te skep wat sosiale en ekonomiese ontwikkeling in die streek sal bevorder. Die plaaslike munisipaliteit moet dus optree as 'n geleentheidskepper vir groei en wegbreek van sy rol as basiese diensverskaffer.



Hierdie navorsing dra by tot die akademiese debat oor die verskille in ekonomiese ontwikkeling tussen plekke na gelang van hul onderliggende verskille (voorafbestemming – geografiese faktore) en klein historiese geleenthede (of kanse). Die gepubliseerde resultate van die analyses van drie verskillende tipes firmas op sub-streeksvlak, die rolle wat die plaaslike owerheid, formele en informele instellings (endogene faktore) speel in die proses om groei te stimuleer asook om sosio-ekonomiese transformasie van die streek te bewerkstelling, vul huidige leemtes in die bestaande literatuur. Verder, die bevindings bevestig dat plaaslike en streeksontwikkeling deurlopende, evolusionêre prosesse is waar baie en uiteenlopende uitkomst moontlik is, en dat eksogene faktore nooit misgekyk moet word nie.

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## ACRONYMS

ANC	African National Congress
ASGISA	accelerated and shared growth initiative for South Africa
BAA	business assistance agreement
BBBEE	Broad-based black economic empowerment
BEST	Brimstone Empowerment Share Trust
BOL	beginning-of-life
CBD	central business district
CGA	Centre for Geographical Analysis
CMA	Cape metropolitan area
CPUT	Cape Peninsula University of Technology
CSI	corporate social investment
DAFF	Department of Agriculture, Forestry and Fisheries
DBSA	Development Bank of Southern Africa
DCGTA	Department of Corporative Governance and Traditional Affairs
DPLG	Department of Provincial and Local Government
DSP	Duferco Steel Processing
DTI	Department of Trade and Industry
EEG	evolutionary economic geography
EEZ	exclusive economic zone
EGT	endogenous growth theory
EOL	end-of-life
ESCOM	Electricity Supply Commission
FAO	Food and Agricultural Organization
FET	further education training
FGD	focus group discussion
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GEAR	growth employment and redistribution
GSB	Greater Saldanha Bay
GTZ	<i>Gesellschaft für Technische Zusammenarbeit</i>

GVA	gross value added
HDST	hake deep-sea trawl
HRC	hot-rolled coil
I&J	Irvin & Johnson Ltd.
IA	institutional approach
ICSEAF	International Commission for the South-East Atlantic Fisheries
IDP	integrated development planning
IDPs	integrated development plans
IDZ	industrial development zone
ILO	International Labour Organization
IPPC	International Panel on Climate Change
ISCOR	Industrial Steel Corporation of South Africa
ISO	International Organization for Standardization
ISU	International Sustainable Unit
JSE	Johannesburg Stock Exchange
LED	local economic development
LMN	London Mining Network
MIDAs	maritime industrial development area
MLRA	Marine Living Resource Act
MNCs	Multinational corporations
MOL	middle-of-life
MoU	memorandum of understanding
MSC	Marine Stewardship Council
NDP	national development plan
NEG	new economic geography
NGOs	non-governmental organisations
NGP	new growth path
NPTA	National Ports Terminal Authority
NRAs	new regionalism approaches
NR	new regionalism
NSDP	national spatial development perspective

PPC	Pretoria Portland cement
RDP	reconstruction and development programme
RFA	Responsible Fisheries Alliance
RIDS	Regional Industrial Development Strategy
SA	South Africa
SADSTIA	South African deep-sea trawling industry
SBCB	Saldanha Bay Chamber of Business
SBIDZ	Saldanha Bay industrial development zone
SBM	Saldanha Bay Municipality
SDF	spatial development framework
SDI	spatial development initiative
SPV	Specialised Purpose Vehicle
SEZ	special economic zone
SH	Sea Harvest Corporation
SMME	small medium micro enterprise
SOE	state-owned enterprise
SS	Saldanha Steel
StatsSA	Statistics South Africa
SWOT	strengths, weaknesses, opportunities, threats
TAC	total allowable catch
TNPA	Transnet National Ports Authority
TPT	Transnet Port Terminal
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
UTHRC	ultra-thin hot-rolled coil
WCDM	West Coast District Municipality
WCII	West Coast Investment Initiative
WWF	World Wildlife Fund
ZAR	South African Rand

## CHAPTER 1 INTRODUCTION AND STUDY RATIONALE

### 1.1 INTRODUCTION

This introductory chapter provides the background to the study. This comprises overviews of local and regional development; the impact of globalisation on local economies and local firms; the failure of macroeconomic policies to attain broad-based economic development; and some theoretical perspectives needed for understanding the complexities of local and regional development. The real-world contexts and development issues of Saldanha town and the Greater Saldanha Bay (GSB) region<sup>1</sup> are explained. The research problem, the overarching aim of the research and the research objectives are stated. The research approach, the methods applied and the research design are presented. The intended contribution of the study to discourse on theoretical issues is briefly set out and the structure of the report is described.

### 1.2 BACKGROUND – REAL-WORLD PROBLEM

Globalisation exposes even the most remote spaces to competition “forcing firms, localities and regions to react and adjust to the new economic conditions” (Pike, Rodríguez-Pose & Tomaney, 2006: 4). The International Labour Organization (ILO) has argued that recently local economies have been affected more than ever before “by policies and processes formed at the supranational level, such as market liberalisation, expanding global production systems and the changing terms of trade” (ILO, 2006: 2). National-level, macro-economic policies are no longer sufficient for attaining sustainable broad-based economic growth in developing countries. Most of these traditional development policies included a sectoral approach where large industrial projects were expected to promote additional economic activity and to generate the networks and value chains needed to achieve sustainable development. These approaches often relied on national governments’ financial support, such as incentive packages and subsidies to attract and maintain economic activities. By contrast, local economic development (LED) uses a territorial approach as a means of achieving economic development, hence underling both the roles of localities and wider city-regions as drivers of national growth (Swinburn et al., 2007). The German federally-owned international cooperation enterprise (*Gesellschaft für Technische Zusammenarbeit* (GTZ)) has viewed local economic development as “an ongoing process by which key stakeholders and institutions from all spheres of society, the public and private sector as well as civil society,

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<sup>1</sup> The Greater Saldanha Bay region – Saldanha Bay Municipality – has six main towns (Saldanha, Vredenburg, Langebaan, Hopefield, St. Helena Bay and Paternoster) under its jurisdiction. The focus of the research is on Saldanha town and its hinterland. The hinterland straddles the surface area of the GSB region.

work jointly to create a unique advantage for the locality and its firms, tackle market failures, remove bureaucratic obstacles for local businesses and strengthen the competitiveness of local firms” (Ruecker & Trah, 2007: 15). The diagnosis of the economic, social, and institutional conditions of every territory and the identification of the local economic potential are the foundations upon which a LED strategy should be constructed (Rogerson, 2009a). This research, that focuses on three major economic players and the role of the local government in local and regional development of Saldanha town and the GSB region, aims to explore this diagnostic process.

The GSB region has long been acknowledged as an important area and resource for sustainable growth and development of the West Coast Region of South Africa. Since the mid 1970s national government has thrown various economic lifelines to this region without any significant success. These efforts culminated in the mid-nineties in the West Coast being designated as one of the spatial development initiatives (SDIs) in South Africa<sup>2</sup>. Between 1997 and 2001, the government invested considerable amounts of money and resources in these regions. One SDI – the West Coast Investment Initiative (WCII) – drew domestic, public and private sector investment but limited foreign investment (Budlender & Shapiro, 2001). However, a core component of the WCII strategy was to lay preconditions for future growth by developing the institutional structure of the region, building a ‘regional growth coalition’ and achieving ‘dividends on the process side’ (Bek, Binns & Nel, 2004). These dividends need to be placed within the broader context of the relationship between regional economic growth and socio-economic transformation, a fundamental issue this research attempts to address.

The national spatial development perspective (NSDP, 2003) classifies the GSB region as a presidential development growth node. Between 1999 and 2008, Wesgro, the official investment and trade promotion agency of the Western Cape established under provincial law as well as the provincial government, have been approached by a number of proponents of large-scale projects to invest in the GSB region. These included certain mega-projects such as aluminium smelters, titanium processing plants, large-scale chemical plants and steel processing. Unfortunately, obstacles of limited infrastructure provision; a misalignment within existing port planning mechanisms; the potential to be competitive on a global platform; and environmental concerns (industrial development near wetlands) contributed to the inability of most of these initiatives to commence

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<sup>2</sup> There are different types of SDIs in South Africa. Industrial SDIs: KwaZulu-Natal, Fish River, Richards Bay-Empangeni, Phalaborwa. Agri-Tourism SDIs: Lubombo, Wild Coast. Mixed sectors SDIs: Maputo development corridor, West Coast Investment Initiative.



(Bek, Binns & Nel, 2004). Limited government cooperation between the local and provincial governments added another layer to the existing constraints.

In 2007, attention turned to the possibility of establishing an industrial development zone (IDZ) in the GSB region as a mechanism to coordinate planning and implementation of mega infrastructure projects and to attract complementary investments, to boost industrial development in the region. In November 2013 the Saldanha Bay IDZ was opened with all the usual ‘boosterist rhetoric’ of the African National Congress (ANC) national government when President Zuma promised that thousands of jobs would be created. “It is a new beginning for the region”, said South Africa’s President Jacob Zuma when he opened Saldanha’s new Industrial Development Zone (IDZ). It is a message that the people of Saldanha have heard before along with the promises of increased employment and economic development (Jacka & Saunders, 2013: 1). It is a message that came with the arrival of Saldanha Steel and led to riots at the plant when expectations were not met. The IDZ, which includes Saldanha town as growth node, forms the foundation for integrating new infra- and superstructure with those existing along with the development of supplementary skills in the GSB region. Various development projects were envisaged in the IDZ, namely wind-energy exploitation, harbour expansions, titanium and zircon plants, a shipyard and a dry dock. In 2011 it was estimated that some 29 020 direct and indirect employment opportunities would be created over a period of 25 years (Wesgro, 2011). The aim of the IDZ is to stimulate secondary multiplier effects and facilitate supporting forward and backward linkages in the region. Although national development policy has to date played an important part in establishing industrial development in the GSB region, policy represents only one component of the complex development choices currently facing the GSB region.

Over the past 20 years, the GSB regional economy has experienced a shift in focus from production-orientated primary industries (agriculture and fisheries) to capital-intensive secondary businesses. For many years the GSB region has been struggling to meet the requirements for economic ‘lift-off’ (take-off), the second phase of Rostow’s (1960) model of economic development. Geographically, the region is located along the west coast of South Africa, which is washed by the cold Benguela current, hence the low rainfall patterns experienced in the area. In addition, the region has a relatively poor natural resource base with no rich mineral resources having been discovered yet. The region’s economic potential is seen to be related to Saldanha Bay’s natural deep harbour, sustainable management of the hake fishery, sense of place, the strategic location relatively close to the Cape metropolitan area (CMA) and the area’s existing economic base. The GSB region is important for the development in South Africa in national, provincial and local regional contexts. In a national context, Saldanha town (and its harbour) is a growth node for the sustainable development of the country’s West Coast. The

current state of the development of the GSB region reflects strong historical and government-led influences. However, despite a number of plans, policy mechanisms and financial incentives having been initiated, the anticipated growth of the GSB region has not materialised to any significant extent (Bek, Binns & Nel, 2004; Welman & Ferreira, 2014; 2017). This presents a significant research challenge.

### **1.3 PROBLEM STATEMENT**

A genre in the economic geographic literature of the 1990s is the explanation of the spatial structure of the economy according to two contradicting (or complementary) approaches (Krugman, 1999). The one attempted to explain the differences in economic development between locations in terms of underlying differences in those locations – a story of predestination (e.g. a natural deep harbour). The other approach asks why the economic destinies of locations might diverge in the absence of such inherent advantages or disadvantages – a story of chance (e.g. connected to a railway network). Other academics, policymakers and consultants have increasingly focused on the ‘region’ as the crucible of economic development. Since the late 1990s there has been a resurgence in considering ‘the region’ as a scale of economic organisation and an understanding of the ways institutional arrangements changes and shape the evolutionary paths of economies (and firms) over time and space. The evolution of firms (economic players or actors), their creative destruction (or their inability to innovate), path dependencies and economic resilience have significant implications for their own growth performances but equally for the development of towns and regions. Bek, Binns & Nel (2004) have however questioned the ability of this regionalist approach to deliver meaningful socio-economic transformation.

The GSB region and Saldanha town have featured high on South Africa’s national development agenda since the early 1970s. Despite various development initiatives, there has been a long struggle for Saldanha town to reach sustained regional development and socio-economic transformation. Consequently, an investigation of the roles of main economic players, namely – Saldanha Steel (SS), Transnet National Ports Authority (TNPA) and Sea Harvest Corporation (SH) and the local government (Saldanha Bay Municipality (SBM)) in the growth and development of Saldanha town and the GSB region was called for. Such an analysis must take account that local and regional economic transformation are linked to geographical factors (predestination), historical events (a story of change) and institutional infrastructure (formal and informal). Furthermore, it is essential that the enquiry views local and regional development as ongoing, evolutionary processes in which many and varied outcomes are possible, and that exogenous factors cannot be disregarded.

## 1.4 AIM AND OBJECTIVES

The overarching aim of the research was to examine three main economic players and a public institution to understand their roles in the growth and development of Saldanha town and the GSB region. In addition, the study intended to locate the findings within the current theory and debates on local and regional development<sup>3</sup>. The main aim and its ancillary were to be achieved by pursuing five objectives.

### Objectives

- (i) Broaden and strengthen the researcher's knowledge and understanding of development at sub-regional level by reviewing the literature on appropriate theory, concepts and case studies concerning the notions of evolutionary economic geography (EEG), the institutional approach (IA), the new regionalism approaches (NRAs), the neoclassic growth frameworks and endogenous growth theory.
- (ii) Explore the link between industrial development in Saldanha town and the evolution and establishment of Saldanha Steel.
- (iii) Map and describe the co-evolution of Saldanha town and Saldanha Bay Port.
- (iii) Evaluate the role of the whitefish industry, Sea Harvest Corporation in the local and regional economy.
- (iv) Critically examine the role of the local authority (Saldanha Bay Municipality) as enabler of local and regional development.

The first objective involved an exhaustive literature search and an in-depth review of the relevant works. The other four objectives entailed the conducting of empirical case studies of the three economic players and the local authority, respectively.

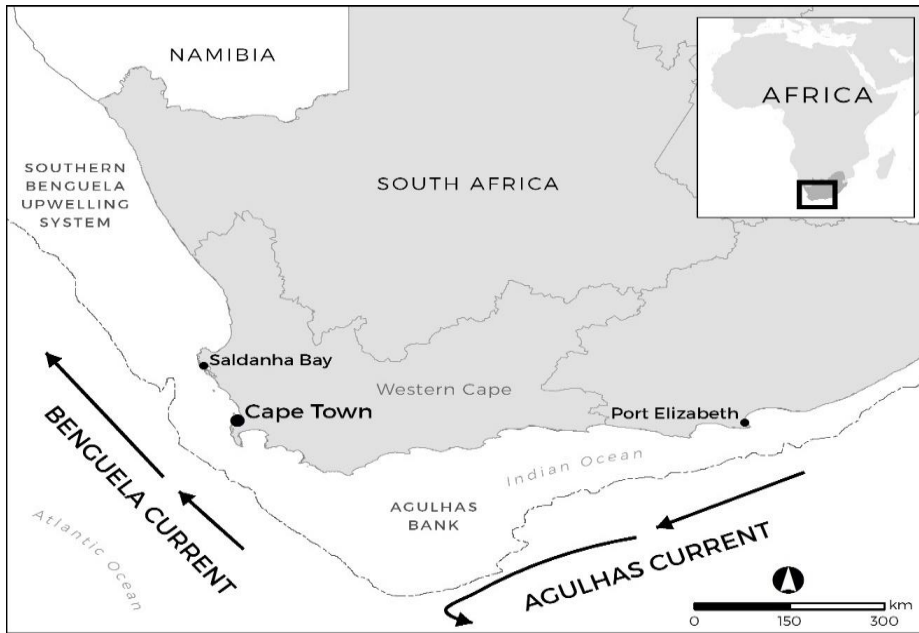
## 1.5 THE STUDY AREA

The study area comprises Saldanha town and the Greater Saldanha Bay region (Saldanha Bay Municipality). Saldanha town and the region are located along the south-west coast of the Western Cape province (Figure 1.1). The GSB region is located approximately 110 km north-west of Cape Town and increasingly fulfils the function of a recreational hinterland for day and weekend visitors and tourists from the Cape metropolitan area

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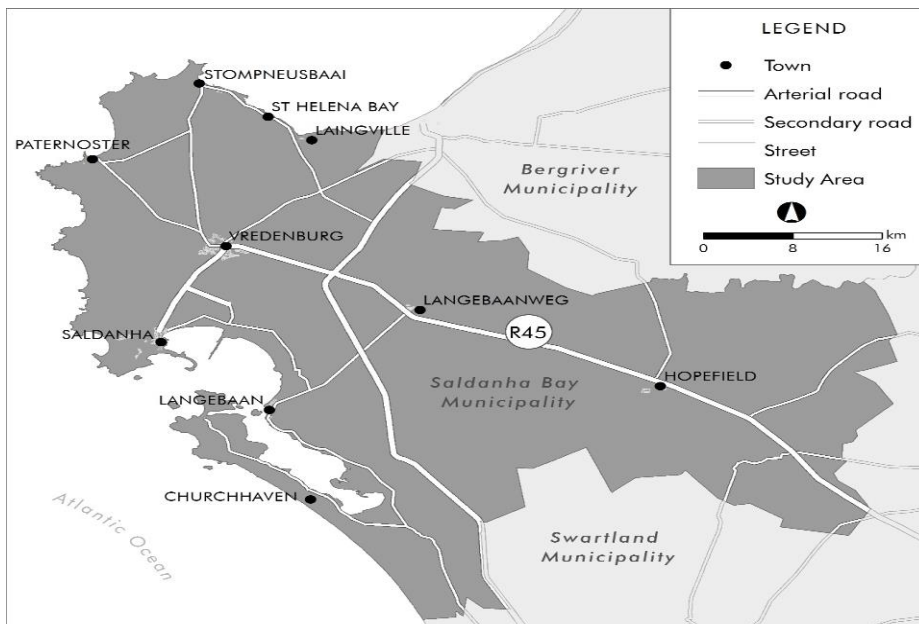
<sup>3</sup> To locate the findings within the conceptual contexts of evolutionary economic geography (EEG), the institutional approach (IA), the new regionalism approaches (NRAs), the neoclassic growth framework and endogenous growth theory (EGT).

(CMA). The study region is bordered by the Atlantic Ocean to the west, the Bergriver Municipality in the north-east and the Swartland Municipality to the south-east (Figure 1.2). Saldanha town's waterfront location boasts a variety of tourist, heavy industry, bulk export, fishing and mariculture activities. The study area does include the towns of Saldanha, Vredenburg, Paternoster, St Helena Bay, Langebaan and Hopefield (Figure 1.2), but the case studies focus on the three economic players located in or near Saldanha town and the local SBM.



Source: Author's production

Figure 1.1 Saldanha Bay, Saldanha town in its broader contexts



Source: Author's production

Figure 1.2 Study area – Saldanha Bay Municipality

The sheltered and naturally deep harbour has played a decisive role in the establishment of the urban settlement of Saldanha town, the location of the terminal point of the Sishen-Saldanha iron-ore project and the siting of the Saldanha Steel plant. Although the study area is limited by its administrative or district municipal boundaries – when trying to make sense of the local and regional development complexities of Saldanha town and the GSB region – the researcher knows that the study area's boundaries are permeable, boasting multiple connections and flows of freight, goods and people on different levels (local, regional, national and global). The next section will briefly explain the research methods and design.

## **1.6 RESEARCH METHODS AND DESIGN**

A mixed-methods approach is applied in four case studies for which primary and secondary data were collected. Primary data and information were obtained through a firm-specific questionnaire survey (three economic players and the local government); analysis of aerial photos and historical maps were used to map the historical footprint and co-evolution of Saldanha town and its port; semi-structured interviews were conducted with the managers of the three economic players and the local government; and a focus group discussion was held between representatives of the main economic players (Saldanha Steel, Transnet National Ports Authority and Sea Harvest), Saldanha Bay Municipality, the Saldanha Bay Chamber of Business (SBCB), the Saldanha Bay Industrial Development Zone (SBIDZ) and Duferco Steel Processing (DSP). The primary data was augmented by a variety of secondary data sources consisting of company-specific annual reports, hake industry fact sheets, the integrated development plans (IDPs) of the Saldanha Bay Municipality (2014), Saldanha Bay Industrial Zone Feasibility study and data obtained from Statistics South Africa (StatsSA).

The research design (Figure 1.3) constitutes the blueprint for the collection, measurement, and analysis of data. Figure 1.3 outlines the main eight steps followed in the research process. Phase 1 considered the rationale of the study and involved a literature review, to refine the formulation of the research problem, the aim and objectives and an introduction to the study area. Phase 2 sought to lay the conceptual foundation (theoretical constructs) on local and regional development and discuss the debate on why certain locations develop and others decline. This was informed by reviewing the appropriate literature on evolutionary economic geography (EEG), the institutional approach (IA), new regionalism approaches (NRAs), the neoclassic growth framework and endogenous growth theory (EGT).

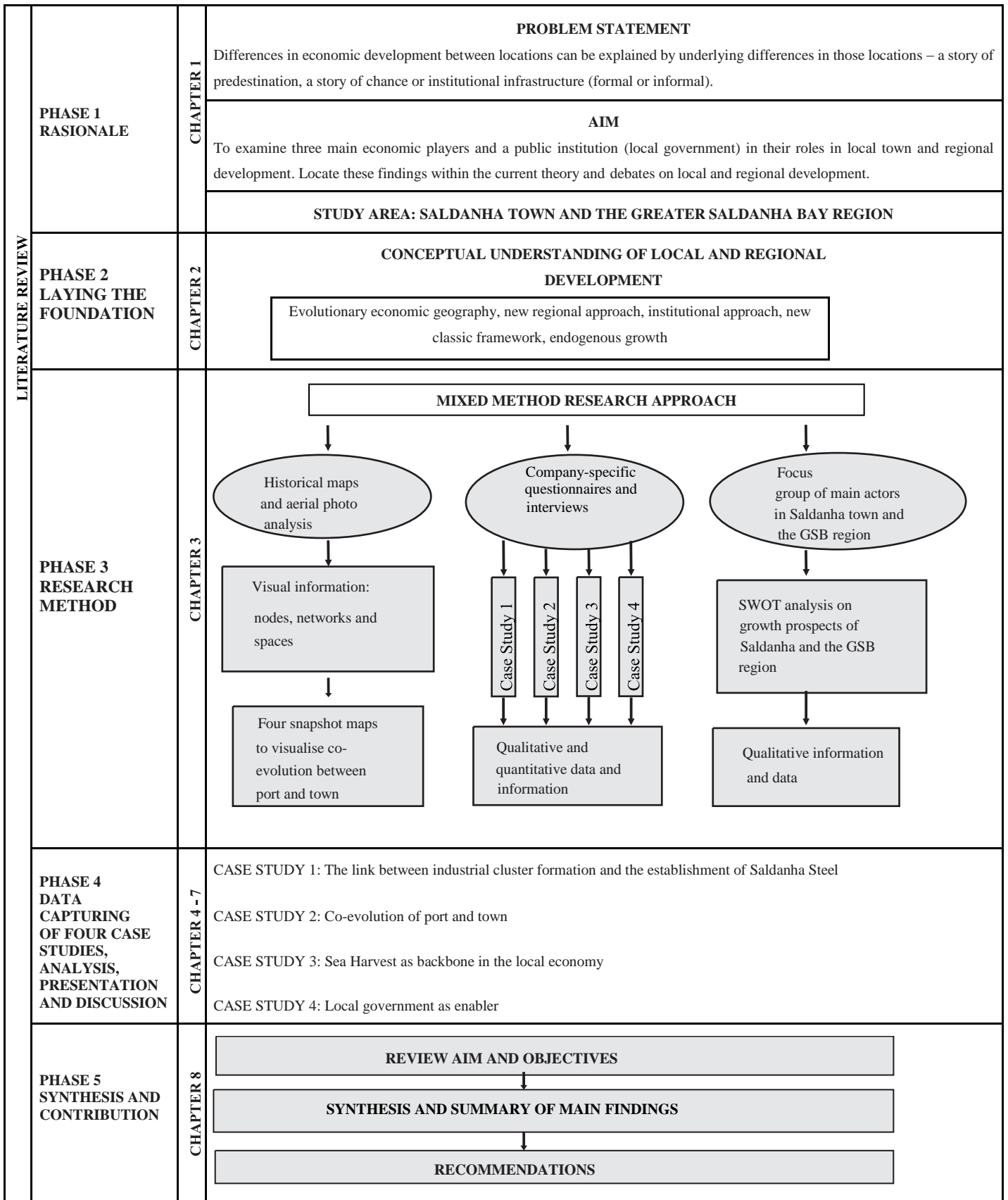


Figure 1.3 Research design

In Phase 3 a mixed method research process was followed to collect primary and secondary data from three economic players (Saldanha Steel, Transnet National Ports Authority, Sea Harvest) and the local government (Saldanha Bay municipality) about their roles in the local and regional development of Saldanha town and the GSB region. Phase 4 qualitative and quantitative data and information was captured in appropriate maps, graphs and narrative formats for analysis and the presentation and discussion of the findings. In Phase 5 the synthesis was written, the academic and practical contributions of the research was reported and the aim of the objectives revisited. This phase also included the summarising of the salient findings and explaining how the outcomes contributes to existing knowledge and why some places develop and other places struggle to reach a position of self-sustaining growth that spills over to socio-economic transformation.

## **1.7 THEORETICAL CONTRIBUTION**

This dissertation contributes to the debate on the differences in economic development between certain locations in terms of the underlying geographical differences at those locations (predestination) and the historical events (chances) at those locations that have provided the special opportunities for development. The subregional evolutionary level analysis of three different type of firms, the roles of local government, formal and informal institutions (endogenous factors) in the process of stimulating growth and bringing about socio-economic transformation fills lacunae in the existing literature – especially by providing empirical evidence to substantiate the findings.

## **1.8 ORGANISATION OF THE DISSERTATION**

The dissertation is structured as eight chapters. Chapter 1 provides the rationale for the research by explaining the bigger picture of Saldanha town and the GSB region – the real-life contexts and government policy that has led to multiple development initiatives that have tried to provide the ‘tools’ to contribute to self-sustaining growth and socio-economic transformation of the town and region. Chapter 2 lays the conceptual foundation of the research by tacking stock of key concepts, definitions, empirical findings, methodologies and methods relating to local and regional development. The central theoretical constructs drawn from evolutionary economic geography; the institutional approach; new regionalism approaches; neoclassic growth theory and endogenous growth theory. Chapter 3 introduces the research methodology, the research instruments for data collection and the presentation of data in maps and graphs. The research is characterised by its evolutionary and interpretive nature. Chapters 4, 5 and 6 report on the establishment and the life-cycle evolution of three firms (economic players) and their roles in the local and regional development. Each chapter constitutes an



article published in a peer-reviewed journal. Chapter 4 investigates the symbiotic relationship (parasitism, mutualism and commensalism) between Saldanha Steel, Saldanha town and the region (Welman & Ferreira, 2014). Chapter 5 focuses on the co-evolution of Saldanha town and the port of Saldanha and discusses the relationship and path dependency between port cities and their ports (Welman & Ferreira, 2016). This chapter concentrates on the relationships and evolution of Saldanha town and port. Chapter 6 documents Sea Harvest's role in Saldanha's local and regional economy through a case study of their fish-processing plant and its contribution to regional development since establishment in 1964 (Welman & Ferreira, 2017). The investigation concentrates on the hake deep-sea trawl industry and elaborates on the challenges facing the South African fisheries industry and how these may be addressed. Chapter 7 examines Saldanha Bay Municipality as an enabler of regional development. The municipality's role in the development of Saldanha town and the GSB region is explored with the aim of contributing to the debate on the role that formal and informal institutions play in local and regional development. Chapter 8 concludes the dissertation by revisiting the aim and objectives; summarising the salient findings on the evolution, economic and social contributions of the three economic players; and the role of Saldanha Bay Municipality as enabler of local and regional development. Explains the study's theoretical contribution to the understanding of local and regional development; recording the contribution to the real-life contexts of Saldanha town and the GSB region; listing the study's limitations; and by making recommendations.

The next chapter lays the conceptual foundation for the investigation and details the results of the literature study. Each of the chapters 4 to 7 include a literature review on concepts that are used within those chapters.



## **CHAPTER 2 CONCEPTS, DEBATES AND THEORY ON LOCAL AND REGIONAL DEVELOPMENT: A REVIEW**

### **2.1 INTRODUCTION**

This chapter provides a conceptual base for the study. It draws on traditional and contemporary scholarship on making sense of the manifestations of uneven development on local and regional scales. It endeavours to clarify why economic activity concentrates in some areas and not in others; why some places and regions experience economic prosperity where others are in decline; and the scale at which economic analyses should be done to enable policy intervention. The literature review comprises a fivefold division. First is a definitional component in which certain concepts (place, locality and region) and notions (such as local and regional development and the kind of local and regional development needed and for whom) are presented. Second, explanations are given why geography and history matter in the study of local and regional development. Third, a subsection traces the evolution in regional development thinking since the 1950s by reviewing scholarly ideas and critiques on neoclassic growth theory, endogenous growth theory, old and new regionalism approaches, evolutionary economic geography and the institutional approach. Fourth, a brief introduction is made to some international debates on the meaning and significance of local economic development (LED) strategies in relation to the effects of globalisation. Last, is an overview of LED policies and practices in South Africa.

### **2.2 APPROPRIATE CONCEPTS AND NOTIONS**

This subsection briefly reviews some concepts relevant to the understanding of local and regional development while making no claim to completeness. The aim of the discussion is to show the complexity of the topics under review while distilling out their essence.

#### **2.2.1 Place, locality and region**

Regions (localities and places) have been at the heart of geographical discourse since the institutionalisation of the discipline of geography (Gilbert, 1988). No singularly agreed, homogenous understanding of localities and regions exists (Pike, Rodríguez-Pose & Tomaney, 2007). According to Agnew (1987) 'place' has three major elements – locale, location and sense of place. Locale refers to the settings in which social relations are constituted (these can be informal or institutional). Location is the geographical area encompassing the settings for social interaction as defined by social and economic processes operating on a wider scale. Sense of place

involves the local structure of feeling or common frame for experiences. Under nomothetic (the study of general scientific laws) spatial science, the ‘region’ came to mean a distinct spatial scale: something below the nation state and above the urban scale (Jonas, 1988). Two other ideas for comprehending region is to interpret it as a logical (conceptual) category or as a cursive vernacular unit (Paasi, 1986). The logical category stems from the mind of the geographer and is necessary for the legitimization of geography as an academic discipline or for providing technical devices for the classification of concrete phenomena (Grigg, 1967). The other idea is to see a region as a cursive, vernacular unit floating in the minds of people (Shortridge, 1984; Zelinsky, 1980). Dear & Wolch (1989: 6) define “regions and localities as a complex synthesis or manifestation of objects, patterns, processes, and social practices derived from simultaneous interaction between different levels of social processes, operating on varying geographical and historical scales.” Regions and localities can also be seen as contexts or frames in which social action takes place (Cooke, 1989).

Region and place continue to be significant categories in human geography, but increasingly in other fields too (Gupta & Ferguson, 1992; Escobar, 2001). While the words ‘region’ or ‘place’ have remained lasting names for geographical concepts, the concepts themselves have been less permanent representations of categories of things or ideas (Paasi, 2001). Gilbert (1988) used a static typology of regions by distinguishing between formal, functional, perceptual and administrative regions. Other analytical categorisations of ‘region’ are the pre-scientific, discipline-centred and critical ideas (Paasi, 1996). The pre-scientific view implies that ‘region’ is a practical choice, a given spatial unit (statistical area, municipality or locality) which is needed for collecting and/or representing data. This view is typical of applied and comparative research, but it is also important in the context of local and regional planning or the implementation of strategies for development (Tomaney & Ward, 2001).

Geographers mostly use the social construction of regions to refer to historically contingent practices and discourses in which actors produce and give meaning to more or less bounded material and symbolic worlds (Paasi, 2001). Localities cannot be understood as “neatly bounded administrative territories... [as] places are intrinsically multi-scalar, constituted by social relations that rage from parochial to global” (Jones, Jones & Woods, 2004: 103). The Greater Saldanha Bay (the study region) is an administrative region – delimited by formal boundaries for governance reasons. This research subscribes to the ideas of Amin (2002a) and Coe et al., (2004) that a region must not be seen as a tightly bounded space, but as a porous territorial formation (or open system) with administrative boundaries straddled by a broad range of network connections.

### 2.2.2 Local and regional development

There is a multiplicity of definitions of both local and regional development (Harvey, 1996; Geddes & Newman, 1999; Armstrong & Taylor, 2000; Beer, Haughton & Maude, 2003; Keating, 2005). Moreover, these concepts are singularly complex and intertwined with various conceptions of what local and regional development actually are and what they are designed to achieve (Pike, Rodríguez-Pose & Tomaney, 2006). Historically these terms have been dominated by economic concerns such as growth, income and employment (Storper, 1997; Armstrong & Taylor, 2000), but since the 1990s the dominant economic focus has been broadened to address social, ecological, political and cultural concerns (Morgan, 2004; Keating, 2005). These broader understandings include a normative (standard) component by asking what local and regional development could be in terms of future visions. Development is concerned with specific and particular places (Storper, 1997). Changing government agendas during political cycles can recast local and regional development policy. Canzanelli (2001: 24) explains that “[e]conomic development is not an objective per se ... it is a means of achieving wellbeing, according to culture and the conditions of certain populations.” Each place has evolving histories, legacies, institutions and other characteristics which impact path dependencies and shape the place’s economic assets and trajectories, social outlooks and environmental concerns (Martin & Sunley, 2006; Rodríguez-Pose, 2013). Local and regional development are explained in terms of different geographies (space, territory, place and scale), varieties (diversity of approaches), principles and values, and distributional questions. Definitions are socially determined in the context of historically enduring themes, principles and values incorporating geographical differentiation and changes over time.

The definitions and types of local and regional development are closely related to the issue of local and regional development for whom. Answers to this question concern objects and subjects (Table 2.1) of local and regional development and the social welfare dimensions of the uneven and geographically differentiated distribution of who and where benefits and losses from particular varieties of local and regional development (Pike, Rodríguez-Pose & Tomaney, 2006). The dilemma of growth and equity remains central to the debates on local and regional development and there is now a greater awareness of the values that underpin local and regional development in any given society (Markusen, 2006; Pike, Rodríguez-Pose & Tomaney, 2007). To integrate the dominant concerns of economic efficiency with social welfare and environmental sensitivity is certainly a formidable challenge for all places and territories. Yet, there are limits to what local and regional development can achieve. Despite the dominant role of the macroeconomics of growth and the extent and nature of national states within the international political economy, nation states remain integral to recognising the plight of lagging territories and framing local and regional development.

Table 2.1 Objects and subjects of local and regional development

Level or scale	Objects	Subjects
People	Individuals Households Families Neighbourhoods Communities	Education and training Homecare services Childcare Neighbourhood renewal Community regeneration
Spaces, places and territories	Villages Localities Towns Cities City-regions Subregions Regions Subnations Nations Macroregions International Global	Rural diversification Strategic partnerships Market town revival Growth strategies Local authority collaboration Spatial strategies Regional economic strategies Economic development strategies Regional development Economic and social cohesion Aid distribution Trade liberalisation

(Adapted from Pike, Rodríguez-Pose &amp; Tomaney, 2006)

Success, failure and development in localities and regions are framed and shaped by the processes and politics of governments and governance (Keating, Loughlin & Deschouwer, 2003; Markusen & Nesse, 2006; Pike, Rodríguez-Pose & Tomaney, 2017b). Explained simply, regional development is an approach which emphasises the importance of coordinated and planned action at a level below the nation where there is a clear geographical space in which economic, social and environmental dynamics play out. Typically, this space covers a major city and its broader hinterland, or a series of smaller connected cities or towns, or a rural or coastal zone with a network of smaller centres. Particular places are characterised by particular types of path dependence and, moreover, economic agents are not just locked into a particular development path but also into that particular place where their (path-dependent) powers can be exercised (Storper, 1995; Cox, 1997). Therefore, geography and history matter for places.

## 2.3 GEOGRAPHY AND HISTORY MATTERS

Over many years, economic geographers have recognised the importance of history in shaping the processes and patterns of uneven regional development (Massey, 1979; Harvey, 1982; Marshall, 1988; Harvey, 2006) as well as the consequences of ‘lock-in’ effects in the rise and decline of urban and regional economies (Grabher,

1993). Geographers are interested in real economic landscapes, with all their complex histories and local contexts and particularities (Sheppard, 1995). To conceptualise the fundamental and complex question of how regional and local economies develop we need to understand communities in real historical, social and cultural settings (Martin, 1999). Over time, different places develop specific networks of interfirm dependencies (both traded and untraded), specific institutional forms (including labour market rules and forms of industrial relations) and specific sets of economic, cultural and political practices which become socialised and institutionalised to influence the roles that different places play in successive rounds of economic accumulation (Martin, 1999).

Path dependence has a place-dependent character reflecting the actual geography and history of each region so that successful development programmes must inevitably be a good combination of general principle and localised compromise. This has often been sidelined when conceptualising regions, although scholars such as Paasi (2003); Hess (2004); Jessop, Brenner & Jones (2008) and Tomaney (2014) have noted the significance of history and geography as being pivotal to the understanding of socio-spatial processes working at different regional levels.

Theories on local and regional development have evolved from several different intellectual traditions. The next section reviews the evolution of local and regional development thought since the early 1950s.

## **2.4 EVOLUTION OF LOCAL AND REGIONAL DEVELOPMENT THOUGHT**

Since the early 1950s, theories on local and regional development have undergone major transformations to include and address specific components of local and regional development processes. This section explores various traditions or approaches in chronological order by explaining the basic points of departure of each approach and calling attention to critiques of some of these approaches or theories. First, the neoclassic growth framework is introduced. Second, the principles of the endogenous growth theory are explained. Third, old and new regionalisms are briefly compared. Fourth, the main notions of evolutionary economic geography (EEG) are stated and the institutional turn in the economic geography discourse and EEG is discussed.

### **2.4.1 Traditional and neoclassic growth theories**

The traditional growth theories of the 1950s attempted to explain the growth of a national state's economy through an increase in its gross domestic product (GDP). The proponents of this thinking accepted that an increase in GDP will contribute to the growth and development of a country (Rodrik, 1998). Another

characterisation of a typical growth path of this era is the ideas by Rostow (1960) suggesting that developed countries have tended to pass through five development stages to reach their current degree of economic development (traditional society, pre-conditions for take-off, take-off, drive to maturity and age of mass consumption). According to Rostow the third phase (or take-off of the economy) will happen when savings and investment reach approximately 15% of GDP. The emergence of socio-economic issues during the 1970s – increases in unemployment and poverty and an acceleration in rural-urban migration – despite the growth in GDP in some countries, have raised concerns about the ability of traditional growth theory to explain the basic socio-economic aspects of development on a national level (McCallum, 1996; Kačar, Curič & Ikič, 2016).

The neoclassical growth framework was built on assumptions such as perfect competition (and endowed with perfect information and foresight); maximising behaviour (of firms); no externalities; positive and decreasing marginal productivities; and production function homogeneous of degree one<sup>4</sup> (Harris, 2008). The share of savings in GDP and the rate of growth of the labour force were taken as given. Productivity growth results from increases in capital that each worker is set to operate (Fagerberg, 1994). Central to this thinking is that labour and capital inputs are the two most important drivers of regional growth. Winner of the Nobel Prize (Solow, 1956) for contributions to economic theory – posited ideas on growth based on these above assumptions and according to his thinking technical progress and the growth rate of real output per unit of labour are determined solely by the rate of technical progress. In Solow's (1956) model technology is assumed to be a public good, i.e. something that is available to everyone everywhere free of charge. External factors, for example policies, become essential in reducing population growth and promoting technology in order to create a platform for regional growth (MacLeod, 2001). Sustained economic growth occurs through exogenous factors of production. Central to Solow's assumptions is that the production function shows constant returns to scale (output increases by that same proportional change in inputs).

Such neoclassical growth thinking was very useful for analysing the relative contribution of capital and technical progress to economic growth. In the neoclassic tradition, output relates to factor inputs, which in turn refer to the stock in accumulated physical capital goods such as transport equipment, buildings, machinery and labour in a closed economy (Fagerberg, 1994). Key to the neoclassic growth framework is that the long-run rate of growth is determined either by the savings rate or by the rate of technical progress both of which are largely determined by exogenous forces (state intervention). Proponents of this theory used the so-called growth

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<sup>4</sup> A production function that is homogeneous of degree one displays constant returns to scale since a doubling in all inputs will lead to an exact doubling of output.

miracles and growth disasters (as case studies) to illustrate how output growth differs in individual countries (Liu, 2007). They further assumed that all nations which have more or less the same technologies and population growth rates should have the same level of per capita income (McCallum, 1996). The neoclassical model was fairly successful in explaining cross-country differences in income levels and was even more successful when the role of human capital was taken into account (Mankiw, Romer & Well, 1992). Some of the weaknesses of neoclassic growth theorising are sketched next. Although this theory has shown limitations, it is important to note that neoclassic analysis has played a major role in the development of today's economic theory.

#### **2.4.1.1 Weaknesses of neoclassic growth thinking**

The neoclassical approach has failed to provide an explanation of everlasting steady-state growth (McCallum, 1996) and cannot explain observed cross-country per capita growth rate differences over long periods (Liu, 2007). These different per capita growth rates seem to be systematically related to various national features, for example to be higher in economies that devote large shares of their output to investment (Lucas, 1988; Romer, 1989). The approach also fell short in describing firms' individual behaviour (Aghion & Howitt, 1998). Dosi (1988) has pointed out that all firms can be seen as profit maximisers because firms as organisations are characterised by different capabilities (including technology) and strategies and they operate under uncertainty with respect to future technological trends. The relationship between institutions and development is most often ignored in neoclassic growth thinking (Rodríguez-Pose, 2013). The convergence issue (as time passes, per capita income levels in different countries should converge to a common value) is more complex than implied by the model. The model is only able to explain 'conditional convergence'.<sup>5</sup> The technology level is the outcome of the purposeful actions of firms and individuals. The neoclassical model does not explain why wealth and poverty are concentrated in certain regions within countries (Easterly & Levine, 2001). What we know today is that under neoclassical assumptions, accumulation of physical capital cannot explain long-term growth. It could be that human capital accumulation, learning by doing and public investment in infrastructure are driving growth. Reviews and critiques of the neoclassic growth theories have paved the way for more appropriate theory building and the inclusion of endogenous factors in models that can explain growth across countries.

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<sup>5</sup> Conditional convergence: A country's income per worker converges to a country-specific, long-run level as determined by the structural characteristics of that country. The implication is that structural characteristics, not initial national income, determine convergence.



### 2.4.2 Endogenous growth theory

Since the mid 1980s, the proponents of endogenous growth theory (EGT) – Romer, 1986; Lucas, 1988; Rebelo, 1991 – have addressed the limitations of the neoclassical model by proposing the introduction of two main factors, namely human capital and knowledge through which long-run regional growth is generated endogenously. EGT is an economic theory which assumes that economic growth is the direct result of internal processes (endogenous) within an economic system. The proponents contend that the inclusion of human capital will ultimately lead to economic growth through the creation and establishment of new forms of technology and their effective use in the means of production. The intended contribution of the endogenous growth approach is to explain long-lasting growth and the differences in growth rates across economies (Arestis & Sawyer, 2006). Contrary to the Solow (1956) model, the rate of growth of technology depends on the rate of growth in capital. EGT has the advantage of explaining the forces that give rise to technological change, rather than following the assumption of neoclassical theory that such change is exogenous.

The EGT approach begins at the level of the representative firm, and then aggregates. The question arises as to what the appropriate level of aggregation should be and whether the nation state should be treated as the appropriate unit of aggregation. EGT models provide explanations for on-going, steady state growth per capita output values and consequently for differences in growth rate across countries. Capital is viewed in a broad sense (including human capital, social capital, intellectual capital, public infrastructure as well as physical capital) whereas the neoclassical approach was largely limited to physical capital. There are constant returns to capital viewed broadly with overall increasing returns to capital and labour combined. Human capital as an additional production input factor has the same or equivalent weight as physical capital (infrastructure). Some of the capital is privately owned, such that the returns on this capital accrue to its owners. But there are returns to capital which do not accrue to the individual owners because of externalities arising from privately owned capital or that some capital has no owners (e.g. social capital) or some capital is owned by the government. Savings arise from (life-time) optimising decisions by households and lead to an equal amount of investment, with savings automatically flowing into capital formation. Investment in privately owned capital is undertaken for profit-maximising reasons and responds to relative prices, specifically the rate of interest (Arestis & Sawyer, 2006). In effect, savings and investment are brought into equality by the rate of interest. Endogenous growth theory tries to overcome the shortcomings of the neoclassic growth theory's ideas by focusing attention to the microeconomic foundations of growth, such as new technologies and human capital (endogenous forces).



According to McCallum (1996) three types of endogenous growth models can be distinguished in the literature. First, there are models featuring externalities that result from linked capital and knowledge accumulation; second, are models resulting from the accumulation of human capital, for example individuals' workplace skills; and third, there are those which apply continuing growth in the stock of existing productive designs, with the entire stock facilitating the creation of additional designs. This body of work emphasised that economic growth is an endogenous outcome of an economic system and not the result of only two forces of the production system. The focus is on liberal ideas, people's action and investment closely linked to investment in human capital (Romer, 1990; Temple, 1999). Romer (1986) has asserted that the accumulation of knowledge determines the pace of technological change and, in the long run, growth. A more highly skilled labour force has the potential to become more productive and, ultimately to produce more.

During the 1990s many scholars of local and regional development fostered the principles of the endogenous development approach – an approach that can be interpreted as local development that stems largely from local impulses and local resources (Picchi, 1994; Terluin, 2003). Human capital is the “accumulated stock of skills and education embodied in the labour force” (Liu, 2007:16). An important contribution of endogenous growth theory thought is the emphasis given to spillover effects of human capital and knowledge in regional development. The creation of an environment for fostering entrepreneurship and the establishment of a knowledge-based system (education, learning, training, creativeness, research and development) (Keeble & Wilkinson, 1999) necessarily improve procedures, the quality of products and the designs that create marketing opportunities for new products (and possibly new life cycles of firms) and eventually engender regional development.

#### **2.4.2.1 Critiques of endogenous growth theory**

EGT has failed to spell out the detail, the content or how the technologies and innovations will reach lagging towns and regions, because the most prosperous regions will be in a privileged position owing to their growth potential and investment from governments and multinational corporations. The question must be asked whether regions solely depend on endogenous factors (local resource endowments in a broad sense including all types of capital) for their survival and for successfully responding to the challenges of globalisation? The critics of endogenous growth thinking maintain that, these theories need to be more realistic and should include the role of exogenous forces (national policies and multinational corporations) that also play important roles in shaping local and regional development.

Development scientists point out that new ideas and routines replace old ones – a sort of creative destruction (Martin, 2010). Therefore, the stock of knowledge forms an integral part of human capital and cannot be treated as something that exists externally. Also missing in the Romer (1986) model is the production of knowledge in the research sector that leads to new designs. In the Lucas (1988) tradition, never-ending growth needs a never-ending increase in human capital, especially the productive skills of a labour. The problem with this assumption is that individual skills are not automatically passed on to the next generations. An individual has to learn or obtain certain skills by himself or herself. In this regard, human capital is different from the stock of knowledge (McCallum, 1996). Although endogenous growth theory may prove appropriate for understanding the enhancement of world knowledge over time, it still lacks the ability to describe and explain why some countries are so poor in relation to First World countries (Parente, 2000).

Given the importance of exogenous and endogenous factors, the next two subsections examined the old and new regionalism in which the former two perspectives are also relevant.

### **2.4.3 Old and new regionalisms**

Regionalism needs to be understood from both an exogenous perspective (outside in) and an endogenous perspective (inside out) (Hettne, 2003; Neumann, 2003). The former perspective conceives regionalisation and globalisation being intertwined articulations of global transformation, whereas the latter implies different actors shaping regionalisation from within the region (Söderbaum, 2011).

#### **2.4.3.1 Old regionalism**

Since World War II the world economy has become much more integrated (Burfisher, Robinson & Thierfelder, 2004). During this time the negotiations under the General Agreement on Tariffs and Trade (GATT) resulted in increased globalisation and regional integration. The old regionalism era – early 1950s to the late 1970s – can be described as a period of shallow integration. During this era developing countries were inspired to reform their economic structures.<sup>6</sup> Regional integration only happened if it coincided with the national interest, that is as a ‘rescue of the nation-state’ (Milward, 1992). Old regionalism was characterised by an inward orientation (Hettne & Söderbaum, 2000). The period saw the protectionist and industrialising actions of national governments (Keating, 2001). Great responsibility was placed on the role of the state in promoting development

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<sup>6</sup> Structural reforms that aim at the fortification of democracy and an improvement of insertion into the global economy.

and managing spatial inequalities (Pike, Rodríguez-Pose & Tomaney, 2017a). Four major subfields were distinguished in old regionalism, namely protectionism (inward development and import substitutions); functionalism (a focus on peace building and on which political level various human needs could best be met); federalism (scepticism of the nation state and an aiming for a 'new kind of state'); and neo-functionalism (emphasis on the centralisation of power) (Mitrany, 1966; Rosamond, 2000; Hettne & Söderbaum, 2008). Top-down management or state powers formed important elements of the protectionist approach. Countries which adopted this approach emphasised the urgent need for inward development and import substitution to ensure self-sufficiency and independence. Gilpin (2001) stressed the importance of spillover effects under old regionalism which sees them as a neo-functionalist function eventually leading to political cooperation between states and the complete integration of regions. According to Haas (1958; 1964) functionalist and neo-functionalist approaches emphasised cooperation that should be initiated in the technical and basic functional areas. These processes will ultimately spill over into other sectors. An outstanding feature of neo-functionalism, as well as the other theories of old regionalism, is that regional integration is viewed as self-maintaining (Blindheimsvik, 2009). Under old regionalism collective engagement with civil society and the private sector were not possible. The lack of success of the old regionalism approach to regional development inevitably led to the development of new regionalism.

#### **2.4.3.2 Appraisals of old regionalism**

Keating (1998) and Pike, Rodríguez-Pose & Tomaney (2006) have pointed to several failures of regional planning following old regionalism approaches. Evidence exists of firms being attracted to less-developed regions through the provision of certain economic incentives without any delivery of the expected and necessary spread effects. Proponents of old regionalism ignored the real-world contexts of regions and how newly introduced firms would affect the existing firms of the region. Another failure was the tendency to replicate 'old regionalism policies' in different areas of the world, despite differences in the economic, social, political and institutional contexts of places (Pike, Rodríguez-Pose & Tomaney, 2006). Much of the work on old regionalism concentrated on a limited range of forces at work and excluded a lot of the action expected from the regional integration process which is beyond trade agreements and the flow of commodities (Burfisher, Robinson & Thierfelder, 2004). Although writers on old regionalism acknowledged the importance of trade agreements and globalisation for local and regional development and integration, they were vague concerning the impacts of global trade forces on the unequal development between the cores and peripheries of the world economic system (Väyrynen, 2003). Old regionalism thought has ignored the role of non-state actors and the

dynamic integration of existing economic zones with global zones – the so-called ‘polycentric’ phenomenon (Faludi, 2006).

#### **2.4.3.3 New regionalism**

During the 1980s and the early 1990s, scholars in the field of regional development began to question the relevance and usefulness of the regional development theories of the 1950s. There was however consensus that the regional scale was the most suitable for the implementation of economic development strategies and governance. New regionalism emerged with a strong economic accent drawn from its close links with institutional economics, economic sociology and evolutionary political economy (MacLeod, 2001). In contrast to earlier geographical analyses which centred their inquiry on a national scale and the nation state (Peck & Tickell, 1992), these geographers interrogated the meso-geographies of economic life and the reflexive frameworks in which economic development was being constituted and governed. The work of Amin & Thrift (1994) on ‘new institutionalism’ highlighted how the economic success of a region was not exclusively the domain of a set of economic factors. They coined the phrase ‘institutional thickness’<sup>7</sup> stating that although economic factors are important, social and cultural factors “live at the heart of economic success” (Amin & Thrift, 1994: 14). According to them local economies merely react to global realities. Their work focused explicitly on the ability and the capacity to territorially embed global processes in place. As part of the ‘thickening’ process in regions they posited that it is not only about the presence of formal (or hard) institutions themselves but also about the soft institutions (through the build-up of social capital) that entrepreneurship is stimulated.

Cooke & Morgan’s (1993; 1994) work stressed that interactive networking and not just the state, can facilitate economic growth. They highlighted that different structures of governance occurred in the dynamic growth economies and that policy templates can be formulated to stimulate less-favoured regions (Cooke & Morgan, 1998). They explained how operations at the regional scale can revolve centrally around a networked hub of both private and public sector institutions to produce ‘regional innovation networks’ able to stimulate regional growth (Cooke & Morgan, 1998). The work of Lundvall & Johnson (1994) – evolutionary economists – sees

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<sup>7</sup> Institutional thickness is the local conditions crucial to the particular articulation of localities and regions within wider-scale processes of economic transformation. Institutional thickness includes trade associations, voluntary agencies, sectoral coalitions, concrete institutions and local elites along with their effects on local policy and their consensus institutions, namely common agreements, shared views and interpretations, and unwritten laws.

knowledge as the most strategic resource and learning as the most important process. They argued that through the creation of ‘hard’ institutional structures and the formation of ‘soft’ institutional processes, intelligent regions can emerge that will ultimately contribute to regional prosperity. At a regional level, a flexible monitoring system could be introduced where knowledge dispersal and institutional learning can take place easily (Florida, 1995; Amin, 1997; Cooke & Morgan, 1998).

For Storper (1997) the regional scale was the key element in the supply architecture for learning and innovation. He argued that there is a new era of ‘reflexive capitalism’ whereby the sharing and networking of information can replace market-based competition. In contrast to many economic geographers who worked on the national scale, Storper (1997) drew on the theory of conventions to analyse the micro-geographies of social identities and the participative nature of the economic actors involved. He sees the region as

the locus of ‘untraded interdependencies’, which take the forms of conventions, informal rules and habits that coordinate economic actors under conditions of uncertainty, these relations constitute region-specific assets in production...hence a central form of geographical differentiation in what is done, how it is done, and in the resulting wealth levels and growth rates of regions (Storper, 1997: 5).

Accordingly, the economic viability of a region is rooted in practical and relational assets that cannot easily be replicated or imitated by other places. Hettne (2005) posited that the new regionalism approach is a comprehensive approach revolving around globalisation and collaborative engagement of all spheres of governance (local, provincial and national); it is multi-scalar (micro, meso and macro) and pluralistic (it includes social, political, physical and economic factors); it requires a regional sense of identity and popular support; and it is market-orientated and neo-liberal. New regionalism allows the inclusion of non-state actors in the analysis of the regional integration process (Blindheimsvik, 2009). New regionalism goes beyond the notions of a free-market system and economic integration to include political, social and cultural dimensions (Hettne & Söderbaum, 2008). Bøås, Marchand & Shaw (1999) stressed the importance of knowledge and insights from other disciplines in understanding regionalism. Grant & Söderbaum (2003: 7) have characterised the notion of regionalism as a “...body of ideas, values and concrete objectives...aimed at transforming a geographical area into a clearly identified regional social space.” Consequently, regions should be considered as socially constructed spaces and not simply as natural areas. The emergence of new regionalism reflects a large and wide body of academic work. It encompasses the arrival of post-Fordism (Piore & Sabel, 1984); the discourse over civil society and the social embeddedness of economic activity (Granovetter, 1985); the role of

institutions in regional development (Amin & Thrift, 1994; Storper, 1995); and the resurgence of regions through significant transformation in the technological and organisational dimensions (Castells, 1996).

New regionalism relies on critical, constructional and reflective thinking (Hettne, 1999). Regions are continuously under discussion in the debates on new regionalism. This rich theorisation in regional relationships is not easily captured in hard statistics of income and the integration of modes of production (labour and capital-intensive production). This unresolved unevenness between hard and soft relationships in new regionalism was one of the greatest challenges facing new regionalism since the late 1980s. Hettne (2005) has advocated an approach that incorporates different theoretical angles. It is not always easy to distinguish between the practices of old and new regionalism because while old approaches continued with a new function, new regional organisations were formed to meet new challenges (Hettne, 2005). New regionalism thinking has broadened the concept of place to involve a complex interaction of social relationships, norms, institutions and understandings (Keating, 2001). An exceptional feature of new regionalism is the relative decrease in importance of the heterogeneity factor regarding dimensions such as culture, security, economic policies and political regimes. New regionalism reflects a spontaneous process which starkly contrasts with the top-down process of old regionalism (Hettne & Söderbaum, 2008). There is a belief among proponents of new regionalism that the various non-governmental actors can increase the level of economic and political integration of activities among countries (Mansfield & Milner, 1997).

#### **2.4.3.4 Criticisms of new regionalism**

Lovering (1999) sees new regionalism as a poor framework through which to grasp the real connections between regionalisation of business and governance and the changing role of the state (Lovering, 1999). He has criticised new regionalism as a shorthand explanation for highlighting the significance of the region as a prospective challenger to the nation state as an effective arena for locating the institutions of post-Fordist political-economic governance (Lovering, 1999). He further viewed new regionalism as a highly selective amalgam of all things good in the regional economies of the world and stated that the proponents of the new regionalism rely too heavily on the attractive and persuasive empirical case studies of the regional growth economies of Western Europe and North America. Boyer (1997) supported Lovering's views and Blindheimsvik (2009: 45) has admitted that a major disadvantage of new regionalism theory is its "everything goes approach." The principles of new regionalism are based on inadequate foundations and it fails to explain the modern regional development process in general. These deficiencies are apt to negatively influence policy formulation over the long run (Lovering, 1999).

Although new regionalism focuses on the lesser control of state powers and the inclusion of non-state actors (economic players) and social factors to create jobs and alleviate poverty, policymakers and scholars of new regionalism are still vague about how to create significant jobs in lagging towns and regions. New regionalism has also lent itself to capture by vested interests such as regional development professionals, inward investment consultants, politicians and the media, all commending the ‘good’ of the new regionalism approach. New regionalist geographers have struggled to define the boundaries of what a ‘region’ is. Some new regionalists have viewed regions as territorial and political subnational administrative units (Keating, 1998). But Allen, Massey & Cochrane (1998: 2) admit that “there are multiple ways of seeing a place: there is no complete portrait of a region. Moreover, ‘regions’ only exist in relation to particular criteria.”

New regionalists have struggled to connect their abstract theoretical concepts with development in a region. Good theoretical abstraction depends on the ability to connect with regional development on the ground and to explain observable outcomes (Lovering, 1999). New regionalism has overlooked the importance of finance and the public sector as drivers of regional development. New regionalism needs a deeper understanding of the real contexts of regions and the links with factors that are continuously being shaped by globalisation. The role of trade liberalisation especially on local and regional productivity is often overlooked in new regionalism (Burfisher, Robinson & Thierfelder, 2004). Harrison (2006) has averred to the need in new regionalist analyses to use more rigorous approaches to explore the relationship between the region and the nation state.

New regionalists have also been criticised for generalising their findings on the growth performance of a small number of economically successful regions thereby raising dangerous expectations that all regions can be winners (Harvey, 2006). The fixing on the subregional scale without analysing relationships to other scales is seen to be problematic “since the meaning and importance of each scale (local, regional, national, global) are unavoidably embedded in its interscalar relationships” (Purcell, 2003: 318). In the latter context, this research rests strongly on Massey’s (1993: 144) insight that: “any serious understanding of any one place [or region<sup>8</sup>] necessitates standing back, taking a broader view, and setting it in a wider context.”

In the following subsection a discussion of evolutionary economic geography reveals that one cannot understand today’s choices (and define them in the modelling of economic performance) without tracing the incremental evolution of institutions and economies.

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<sup>8</sup> Author’s own emphasis.



#### 2.4.4 Evolutionary economic geography and the role of institutions in regional development

In the 1980s economic analyses of regions became more interdisciplinary and economic geographers recognised the valuable insights that could be drawn from other social and economic sciences (Boschma & Frenken, 2006). Economic geographers moved away from traditional economic analysis and sought insights from various forms of heterodox economics<sup>9</sup> and other social sciences (Amin & Thrift, 2000; Bagchi-Sen & Lawton-Smith, 2006; McCann, 2007; Martin & Sunley, 2001; Martin & Sunley, 2007; Simmie, 2005). Their interest has been in the institutional, cultural and social foundations of regional and urban development and this has led to a so-called ‘institutional’ or ‘cultural turn’ in regional development thinking. Parallel to the latter shift – early to mid 1990s – several economists, led by Paul Krugman (1994; 1995; 1999) and Michael Porter (1996), rediscovered geography and argued the importance of a geographical perspective for understanding the dynamics and competitiveness of an economy (Boschma & Martin, 2010). Both groups (economic geographers and economists) have given prominence to the process of spatial agglomeration of economic activity as a source of increasing returns. Lacking from these theoretical developments was an appreciation of the importance of history in the economic landscape and how that landscape evolves over time (Boschma & Martin, 2010). An evolutionary perspective is deemed essential to a more holistic understanding of issues such as the geographies of technological progress, dynamic competitive advantage, economic restructuring and economic growth.

The focal points of evolutionary economics are the processes and mechanisms by which the economy self-transforms from within. For many evolutionary-minded economists the challenge was to give economic interpretations to the basic ideas of modern evolutionary biology, especially to the notions of variety, selection, fitness, retention, mutation and adaptation. For others notions integral to complexity science (Darwinism), such as self-organisation, co-evolution, emergence and equilibrium dynamics, all provided a suitable conceptual framework. Witt (2006) maintains that theories on economic evolution have to satisfy three basic requirements. First, they must be dynamical (no static or comparative-static analysis) and concentrate their attention on change features such as emergence, convergence, divergence and trajectories that are rooted in real historical time. Second, evolutionary economics must deal with irreversible processes (legacies that condition the behaviour of economic agents in the present and the future). And third, theories on economic evolution must cover the generation and impact of novelty as the ultimate source of self-transformation. The criterion of

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<sup>9</sup> Heterodox economics is an umbrella term to cover the coming together of, sometimes long-standing, separate heterodox projects or traditions. The latter include post-Keynesianism, (old) institutionalism, feminist, social, Marxian, Austrian and social economics, among others (Lawson, 2005).



novelty – its generation and its role in economic transformation – is crucial to any theory of economic evolution. It is the creative capacity of economic agents (individuals and firms) and the creative functions of markets which drive economic evolution and adaptation (Metcalf, Foster & Ramlogan, 2006). These ideas and concepts developed by economists on the evolution of the economic landscape have provided a point of departure for geographers to assist in the development of an evolutionary economic geography (EEG) approach.

#### **2.4.4.1 Evolutionary thinking in economic geography**

Evolutionary economic geographers have used the concepts and ideas from evolutionary economics to help interpret and explain how the economic landscape changes over historical time (and all the processes involved). They then went a step further to situate the economy in space to demonstrate how geography matters in determining the nature and trajectory of evolution of an economic system (Boschma & Martin, 2010). Some opponents saw EEG reasoning as controversial and they questioned how far and in what ways the notions taken from traditional and modern evolutionary biology could be translated into meaningful economic equivalents (Foster & Green, 2000).

EEG is concerned with the spatialities of economic novelty (innovations, new firms, new industries, new networks); how the spatial structures of the economy emerge from the micro-behaviours of economic agents (individuals, firms, organisations); how, in the absence of central coordination or direction, the economic landscape exhibits self-organisation; how the processes of path creation and path dependence interact to shape geographies of economic development and transformation and; why and how such processes may themselves be place dependent (Boschma & Martin, 2007). The EEG approach addresses the long-term evolution of regions and their ability to adapt and reconfigure their industrial paths (Martin, 2012). The EEG approach helps to explain the spatial evolution of firms, industries, networks, nodes, cities and regions (Boschma & Lambooy, 1999; Boschma & Frenken, 2006). Essentially, it analyses the dynamic changes in the economic landscape. EEG involves the origin, changes, direction and speed in the spatial distribution and organisation of production, as well as product innovation and consumption over time. The EEG approach aims to improve our theoretical awareness of the economy as an evolutionary process which unfolds in space and time (Boschma & Frenken, 2006). It spotlights the path-dependent dynamics underlying uneven development in space (Martin & Sunley, 2006; 2011).

This approach has contributed significantly to the enrichment of economic geography by adding new perspectives to the long-term process of structural change over space and time (Jovanovic, 2009; Brouder,

2014). An EEG approach further contributes to our understanding of development in national territories and the refining of general economic theory. Although local contexts are important in the EEG approach, it goes beyond specific and unique case studies (Boschma & Frenken, 2009). EEG scholars recognise three foundations of EEG, namely path dependence, complexity theory and generalised Darwinism (Boschma & Martin, 2010). These form the bedrock on which empirical work is built. The current distribution of economic activities across space is understood as an outcome of largely contingent, yet path-dependent, historical processes.

Technological innovations and change (how they can influence the location of firms) and the development of clusters (or agglomerations of firms) are at the centre of EEG. The earlier evolution of clusters, more specifically firms, was greatly influenced by firms' industrial and social network relations. Each firm has a unique set of specific routines that are constantly exposed to change or small modifications to ensure survival. Concomitantly, new routines can be introduced through innovations, even if many of them will not survive the selection process (Boschma & Frenken, 2011). Successful routines have the potential to survive and they can be transferred to other local firms to create interfirm linkages and conditions of related variety (Boschma & Frenken, 2009; 2011). Boschma (2003) has suggested that economic sectors need to be related or complementary in terms of competences to enable effective knowledge transfer. The successes have been explained in terms of factors like the mechanics and sources of economic learning and adaptation (Amin, 1999; Salvato, 2005). To survive, firms must reorganise or change their circumstances and routines. A crucial feature of organisational routines is their ability to change from one event to another over time.

The early evolution phases of clusters are highly dependent on the number of incumbent firms in a region which constitute the potential source for spinoff and attracting new entrants (Arthur, 1994; Sorenson & Audia, 2000; Stuart & Sorenson, 2003). An unanswered question in EEG is why some parent firms have a high probability of creating spinoffs while others are less successful? In this regard Boschma & Frenken (2011) explored the importance of the organisational capabilities, network relations, reputation and the technology-related routines of firms which might influence the nature of parent-spinoff relationships. Neffke, Henning & Boschma (2011) found that industries in Sweden had a higher probability to enter a region when they were technologically related to other pre-existing industries in that region. They analysed the economic evolution of 70 Swedish regions during the period 1969 to 2002 using detailed plant-level data. Their analyses showed that the long-term evolution of the economic landscape in Sweden is subject to strong path dependencies. They concluded that "[i]ndustries that are technologically related to existing industries in a region had a higher probability of entering that region than industries that were technologically unrelated to the region's industries" (Neffke, Henning & Boschma, 2011: 237). Pivotal to these industrial districts was the process of recovery and adaptation

(regional resilience). In economic geography the term regional resilience is closely associated with regional adaptation which has a strong connection to EEG (Christopherson, Michie & Tyler, 2010).

#### **2.4.4.2 Institutions, evolutionary geography and regional development**

Since the early 1990s considerable attention has been given to the role of institutions in regional development, beginning with the work of North (1990), followed by major contributions by Amin & Thrift (1995) and later by other scholars (Rodríguez-Pose, 2013; Beer & Lester, 2015). Different meanings have been attached to the concept ‘institution’, so that the literature on institutions distinguishes two types: formal institutions (rules, laws and organisations) and informal institutions (or tacit institutions) such as individual habits, group routines, and social norms and values (Amin, 1999).

Institutions constantly interact with and affect one another in various ways and they become the underlying determinants of long-lasting economies (North, 1990). The literature on the institutional approach has generally been concerned with the evaluation and description of the concepts of institutional thickness or thinness as well as the institutional effectiveness of places. Amin & Thrift (1995) characterised institutional thickness as a combination of factors involving interinstitutional interaction and synergy, collective representation by many bodies, a common industrial purpose, and shared cultural norms and values. Scholars of trust (Berggren & Jordahl, 2006) and social capital (Putman, 1993; Beugelsdijk & Van Schaik, 2005) contend that trust and social capital are essential elements in institutional thickness. Other research has found that communities, localities and regions with a ‘thin’ institutional thickness have a low probability of achieving sustainable development (Amin, 1999; Woolcock, 1999; Bek, Binns & Nel, 2004). A region’s institutional structure (which institutions are present, how they are organised, their size) and institutional arrangements (how well the institutions relate to each other; do they fulfil their purpose seen from the perspective of the wider community), are increasingly becoming the determining factors in regional development (Beer & Lester, 2015). Rodríguez-Pose (2013) advocated the need to reconsider these concepts and argued that accent should be placed on institutional effectiveness rather than institutional thickness. The issue is not just about having too many or too few institutions, rather it is about having the correct mix of effective institutions (Rodríguez-Pose, 2013).

Regions endowed with different institutional structures and institutional arrangements will have different outcomes. The performance of institutions at a local scale can be influenced by the following: the quality of human capital (Florida, 2002); the ability to exert leadership at the local level (Surinach & Moreno, 2012); the presence of major organisations (public or private sector) with the capacity to invest, interact effectively with

other large entities, as well as contribute to political processes at the regional scale (Beer & Lester, 2015); a strong business culture and local financial strength or capacity (Tomaney, Pike & Rodríguez-Pose, 2010); and a collective commitment by businesses to growth and economic development (Beer & Lester, 2015).

The institutional approach in economic geography assumes that differences in economic behaviour are primarily related to differences in the nature and routines of institutions (Hodgson, 1988; 1999; Whitley, 1991; 1992; Saxenian, 1994; Gertler, 1997). Successful regions depend on or draw from a set of strong institutional structures and institutional arrangements. By forging local ties and building capacity across sectoral networks, regions become competitive. Relational assets<sup>10</sup> and untraded interdependencies of regions are distinctive features differentiating fortunate regions from lagging regions (Amin, 1998). Central to this is the ability to replicate routines in different geographical contexts (Boschma & Frenken, 2006). The higher the industrial relatedness<sup>11</sup> between existing parent firms and incumbent firms the higher is the rate of spinoffs in a region. Without the evolution of networks, the development of new nodes would not be possible.

Since the early 2000s the EEG approach has further strengthened and expanded to include the important role of institutions in explaining economic development. A key dimension of the institutional turn in economic geography is the emergence and usefulness of concepts explaining the evolution of firms, such as pathdependence<sup>12</sup>, institutional lock-in<sup>13</sup>, untraded interdependencies<sup>14</sup>, organisational routines, creative destruction, levels of aggregation and industrial relatedness as well as place-dependent processes for understanding regional development. The evolution of institutions is specific to places where they shape development while being shaped themselves (Morgan, 2007). Boschma & Frenken (2006; 2009) agree that institutions play a vital role in EEG and they have asserted that an evolutionary approach perceives that the

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<sup>10</sup> “These include local tacit knowledge and face-to-face exchange, the quality of local institutions, longstanding social habits and norms, local conventions of communications and interaction, and so on” (Amin, 1998: 7).

<sup>11</sup> Industrial relatedness is the extent to which the knowledge and skill base of two industries overlap (Neffke, Henning & Boschma, 2011).

<sup>12</sup> Path dependence is the idea that the decisions firms face depend on past knowledge trajectories and decisions, so limiting decisions to the current competence base. In other words, history does matter in current decision-making processes and situations, therefore strongly influencing strategic planning (Martin & Sunley, 2006).

<sup>13</sup> Institutional lock-in describes “the situation where a technology, industry [or in researcher’s case, a regional or local economy] – has stuck in a particular trajectory or path that has become sub-optimal or inefficient in some way” (Martin & Sunley, 2006: 397).

<sup>14</sup> Untraded interdependencies refer to social communication and the convergence of norms, habits, values and behaviour and social cohesion (Riggirozzi, 2010).

behavior of firms mainly stems from their routines, rather than from territorial institutions. Firms develop routines in path-dependent idiosyncratic ways so that the routines vary greatly, even under the same institutional conditions (Gertler, 1995). Although institutions play an important role in regional development, it is not always clear why some institutions are less successful in socio-economic transformation than others (Bek, Binns & Nel, 2004). According to Rodríguez-Pose (2013) institutions have the potential to influence the long-term, socio-economic performance of regions both negatively and positively. Institutions co-evolve with processes of technological innovation and industrial dynamics (Nelson, 1995). As the organisational routines of firms evolve, their sector-specific knowledge and skills develop simultaneously (Storper & Walker, 1989). Firms transform in space and time by changing routines and relocation, as do routines which are appreciably influenced or changed by innovation and relocation (Boschma & Frenken, 2009). This dynamic interplay of structures, routines and innovation produces an evolution of real places.

#### **2.4.4.3 Appraisal of evolutionary geography approach**

EEG raises several questions about how to create direct relationships between certain concepts, theories, research methods and policy implications (Pike, Rodríguez-Pose & Tomaney, 2017a). Concepts such as natural selection, path dependence, lock-ins and creative destruction and their application in various conceptual, theoretical and empirical ways produced evidence of weakness and looseness in describing reality (Essletzbichler & Rigby, 2007; Grabher, 2009). Boschma & Frenken (2010) and Coe (2010) have posited that the proponents of the EEG approach in economic geography need to build some consensus on how to apply the various methodologies to explain the changing character of economic landscapes. The EEG approach is unclear on which actors, factors or mechanisms determine the evolving process of the economic landscape in time and places (Martin, 2010). Hassink, Klaerding & Marques (2014) asserted that not enough was done to connect research objects and subjects in a more comprehensive, holistic and integrated framework.

Although EEG has a rich tradition in defining conceptual categories and theorising their relationships, it is still facing the challenges of identifying indicators for the measurement of formal and informal institutions and how to integrate and contextualise studies within the broader framework of social, economic, political and institutional settings (Pike, Rodríguez-Pose & Tomaney, 2017b). A critical shortfall in EEG studies is the lack of depth in comparative evolutionary studies. Comparative studies have mainly focused on firms, industries and networks in a specifically spatial context, for example the region or city-region (Pike, Rodríguez-Pose & Tomaney, 2017b). By strengthening comparisons in evolutionary studies through an emphasis on geographical differentiation, diversity and the evolution of the economic landscape, EEG will become a “more comparable,

transparent, and cumulative” approach (Boschma & Frenken, 2009: 156). Although attempts have been made in evolutionary studies to influence politics and policies, researchers in the field of EEG find it hard to deliver evidence and advice that can be related to the different needs of communities (Boschma, 2005; Hassink & Klaerding, 2011). Boschma & Frenken (2007: 6) confirmed that the “policy implications of evolutionary economics are inherently difficult to derive” due to the historical nature of evolutionary analysis. Although both the EEG and the institutional approaches share the common features of emphasising processes and evolution, and how some institutions or regions successfully adapt to change, they still lack the capacity to describe and explain the underlying dynamics that lead to institutional lock-ins. Despite the growing understanding of the concept of organisational routines, consensus about its meaning remains to be reached.

#### **2.4.4.4 Criticism of the institutional approach**

There is still valid concern about and uncertainty over how institutions shape local and regional development (North, 2005; Gertler, 2010). Although institutions matter in the building of partnerships and in reaching consensus among economic players, public actors and civil society also make significant contributions to regional growth and development (Pike et al., 2016). Supporters of the institutional approach are very vague about the fundamental role that political institutions and public actors can play in creating policies and environments for the fostering of innovation and entrepreneurship. Institutional (government) policies designed to attract investment to lagging regions were heavily criticised due to their tendency to establish the so-called ‘branch plant economies’ (a plant or factory belonging to a company with headquarters in another country) (Firm, 1975; Turok, 1993). The latter situation has resulted in development *‘in’* the region and not *‘of’* the region (Morgan & Sayer, 1985).

Most of the academic literature shows a bias toward the role of formal institutions in local and regional development, while ignoring the role of informal institutions in economic activity and social upliftment (Tabellini, 2010). A criticism raised by Crescenzi & Rodríguez-Pose (2012) relates to the overemphasis placed on physical investment while the importance of soft infrastructure (skills and innovation) is neglected as a driver of local and regional development. More attention has to be given to the identification of specific types of institutions which really matter in regional development (Rodríguez-Pose, 2013). Rodríguez-Pose (2013: 1039) have avered that “[t]here is no consensus as to whether institutions are a prerequisite or natural outcome of development.” Apart from the distinctive role that institutions (formal and informal) play in shaping and reshaping economic landscapes, local and regional development policies are embedded in traditional national policies. Central governments still believe that top-down strategies of infrastructure development, education

and industrial policies are the underlying vehicles for local and regional growth (Pike, Rodríguez-Pose & Tomaney, 2006).

The foregoing expositions have drawn on a variety of theories and approaches to lay a conceptual foundation, provide an understanding of local and regional development, and familiarise the reader with the evolution of development thinking since the 1950s. The next section first overviews the international debate on the meaning and significance of local economic development (LED) strategies and then turns to a discussion of historical and contemporary LED policy and practice in South Africa.

## **2.5 LOCAL ECONOMIC DEVELOPMENT**

Local economies are affected by “...policies and processes formed at a supranational level, such as market liberalisation, expanding global production systems and changing terms of trade” (ILO, 2006: 2). Globalisation is a vital cause of changing thought about planning approaches to local and regional development (Christensen & Van der Ree, 2008). The effects of globalisation are so extensive that “...even the most remote spaces are exposed to global competition and are forcing firms, localities and regions to react and adjust to the new economic conditions” (Pike, Rodríguez-Pose & Tomaney, 2006: 4). Furthermore, traditional supply-side development strategies did not achieve the intended results because globalisation diminishes the powers of the nation state and underlines both the role of localities and wider city-regions as drivers of national growth (Swinburn & Yatta, 2006). The next subsection reviews ideas on and meanings of LED and explains how this strategy relates to globalisation.

### **2.5.1 Views and meanings of local economic development**

A major feature of globalisation is that markets have become more pervasive and are affecting countries across the world (Christensen & Van der Ree, 2008; Rogerson, 2009b). Consequently, LED strategies have bigger and invigorating roles to play in development (Rodríguez-Pose, 2001; Rodríguez-Pose, 2008). LED offers a means of counteracting or taking advantage of the forces of globalisation by maximising local potentials (International Labour Organization (ILO), 2006) and moreover, of making the most of local resources in a way which improves returns from global markets. Development challenges posed by globalisation have precipitated a serious rethinking of the validity of former approaches to development planning and have stimulated a new way of thinking about which approach best suits regional development (Rogerson, 2009b; Tomaney, 2014). Traditional development policies are characterised by a top-down approach (decisions about areas and regions



where intervention is needed are taken at the centre); management by central administration; a sectoral approach to development; development of large industrial projects to stimulate other economic activity; and financial support, incentives and subsidies as the main factors for attracting economic activity. The LED approach is multidimensional in nature. The perceived outcomes of LED initiatives require the collective initiatives of various key stakeholders to make and/or implement multijurisdictional decisions that cannot be addressed by unilateral action for the common good of the society (Emerson, Nabatchi & Balogh, 2012). LED seeks the collaborative efforts of local stakeholders to grow local economies and improve the standard of living of the local people.

Regions and places with global connections and LED strategies are expected to receive social and economic advantages. Social advantages include the empowerment of local societies; the creation of local dialogue; and assistance to make local institutions more transparent and accountable so contributing to the development of local civil society. The economic advantages are the most significant because LED strategies will embed economic activity in a territory and make the economic activity dependent on the specific economic and comparative advantages of that place. These economic activities normally withstand changes in the global environment better and can usually retain jobs better. Linked to the latter context, LED strategies can possibly contribute to more ‘decent work’ (ILO, 2008).

There are many definitions of LED, some carrying contested meanings. A North American perspective given by Bartik (2003: 13) who sees LED as “...an increase in a local economy’s capacity to create wealth for its residents.” Helmsing & Egziabher (2005: 1) view LED from a developing-world perspective as “...a process in which partnerships between local governments, NGOs, community-based groups, and the private sector are established to manage existing resources, to create jobs and stimulate the economy of a well-defined territory.” The World Bank (2002) associates LED activities with an integrated approach where local people and businesses work together to achieve sustainable development which brings social and economic benefits for all. The ILO (2008) distinguishes four core features to explain the nature of LED strategies: the need for participation and social dialogue; anchorage in a specific territory; mobilisation of local resources and competitive advantages; and they are owned and managed locally.

LED strategies are ongoing processes which entail joint decisionmaking and active participation to create more jobs and to stimulate local economic activities (ILO, 2006). Meyer-Stamer (2008: 7) introduced a notion of “...systemic competitiveness of a territory” which concentrates on the ability of a locality or region to generate high or rising incomes and to improve the livelihoods of people living there. There are different approaches to



LED as well as different entry points for starting an LED process (Rogerson, 2009b). LED strategies are about the collaboration of all stakeholders, dynamic growth in all dimensions of development and the effective use of local resources to the benefit of all. LED processes are more an integrated approach than a ‘one size fits all’ solution. What is clear in LED strategies is the simultaneous development of all dimensions (social, economic and ecological) of a local economy and not just the creation of infrastructure and jobs (Ruecker & Trah, 2007). LED is a conscious process in which communities are assisted by strong and well-developed institutions to work toward a common goal of improving the conditions of social and economic development (Cunningham & Meyer-Stamer, 2005). The bringing together of local governments, the private sector and civil society in a search for the most appropriate LED strategy will “...allow the community to build from the ‘inside-out’, capitalising on local assets rather than from the ‘outside-in’ relying on external interventions” (ILO, 2008: 2). The following subsection looks more closely at local economic development policy and practice in a country context.

### **2.5.2 Local economic development in South Africa**

Local economic development policy and practice has evolved appreciably since the advent in 1994 of the post-apartheid era in South Africa (Nel, 1994). At that turning point in South Africa’s political history all localities were trying to define their new roles while simultaneously trying to survive in a global market context (Hall & Robbins, 2002). The Department of Provincial and Local Government (DPLG) – as part of the national government’s poverty alleviation strategy – launched a Local Economic Development Fund in 1999. According to Van der Heijden (2008) this fund had functioned as a major catalyst for triggering a project-based approach to the practice of LED across South Africa. Municipalities could apply to the DPLG for funding of projects such as cultural tourism initiatives, promotion of agroprocessing, the development of business incubators and human resource programmes (Binns & Nel, 2002). A host of small (micro) projects was funded but the majority failed after the first year of project funding (Binns & Nel, 2002). Most of the projects were small medium micro enterprise (SMME) projects and survivalist type community economic development initiatives. These failures could be explained by the inadequate understanding of what LED constitutes in theory and practice; an incapacity at municipal level to implement plans and manage projects; the fact that the beneficiaries were often not consulted in the process of applying for funding for a specific project, so resulting in a lack of ownership; and few of these projects could continue without external funding (Patterson, 2008). As a result of these disappointing outcomes the DPLG LED Fund was converted into a Municipal Infrastructure Grant (Development Bank of Southern Africa (DBSA), 2006) that has resulted in a legacy of more social work than a fostering of building of the competitiveness of localities (Meyer-Stamer, 2003; 2006). Van der Heijden (2008:

2) avered that most of the initial LED practices centred around SMME projects with the focus on the survival of businesses through: "...community economic development projects, the majority of which proved unsustainable once donor or public sector funding disappeared, and so had no real impact on poverty reduction." While micro-level projects may be desirable, such projects are often only viable if aggregated to a level that economies of scale become possible (Murray, 2007). The failure of LED objectives (basic infrastructure and service delivery) being achieved in many of South Africa's poorest and disadvantaged areas has caused much of the social unrest experienced in the democratic era.

### **2.5.3 Historical overview of LED policy**

The historical evolution of LED in South Africa was marked by the appearance of policy documents in the early 1990s, which strongly reflected Western European, and North American LED influences (Rogerson, 2009b). By contrast, in 1995 the South African National Civics Organisation (Nel, 1995) published a strategic document that advocated strong community-based dimensions in LED policy (Nel, 2000). In 1996 a LED manual was published which straddled both community-orientated strategies and neo-liberal principles of independent policy action (Nel, 2000). The legislative and policy contexts for LED have been shaped by several pieces of legislation as captured in Table 2.2. The Constitution of the Republic of South Africa (Act 200 of 1993, RSA 1996a) and the Local Government Transition Act (Act 209 of 1993, RSA 1996b), formally activated the restructuring of local government in South Africa so that the country could embark on the final democratised dispensation for local government. The White Paper (RSA, 1998a) emphasised local and regional development with a broad-based perspective, namely provision of below-cost services to the poor; support for community engagement and organisations; and a linking of profitable growth and investment with redistribution and development. Furthermore, special value was accorded to the provision of household infrastructure and services; the creation of an environment for business-friendly services; enhancement of local procurement; investment promotion; and support for small businesses and the growth sectors (RSA, 1998a). The Local Municipality Act of 2000 set sights on enabling municipalities to establish service utilities. This enablement has laid the foundation for the development of customised SPV (Specialised Purpose Vehicle) model to drive LED at local government level on par with international best practice and supported by institutions such as the Industrial Development Corporation (IDC, 2009). From 2000 to 2007, the DPLG worked on a LED framework document in a period representing a watershed in the evolution of LED policy in South Africa (Rogerson, 2009b). The document concentrated on developmental and pro-poor responsibilities (anchored by infrastructure and services, improved public health, lower levels of racial segregation and improvement of social capital) of local municipalities (Bond, 2002). Unfortunately, this document did not inform on how to grow the economy

or how income generation could be improved, both of which are prerequisites for sustained improvement of the quality of life of the poor (Hindson, 2002). Table 2.2 outlined the key South African legislation and policy papers for LED.

Table 2.2 Key South African legislation and policy papers for LED (1993-2017)

<b>Date</b>	<b>South African legislation</b>	<b>Content of legislation</b>
1993	Constitution of the Republic of South Africa	Recognises the significance of local government
1998	White Paper on Local Government	Establishes the notion 'developmental local government', i.e. local government committed to work with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve quality of their lives.
2000	Local Municipality Systems Act	Integrated Development Planning (IDP) as a compulsory activity of local government and this Act has legislated several key LED functions and responsibilities (to assist in social and economic upliftment).
2001	Local economic development policy paper	Refocusing development on the poor
2002	Draft local economic development policy	Local economic development activities should be anchored firmly in developmental and pro-poor responsibilities of municipalities.
2006	Local economic development framework	Stimulating and developing sustainable local economies. A definitive set of guidelines for the local economic activities of local municipalities
2017	Revised local economic development framework	Vision: innovative, competitive, sustainable, inclusive local economies that maximise local opportunities, address local needs and contribute to national development objectives

In 2006 – after 10 years of LED being a statutory requirement for local authorities – the DPLG for the first time released a well-defined set of guidelines for LED. The 2006 framework showed a remarkable positive shift in which the national authority had to change from being a coordinator of public policies and of investment programmes to be a creator of a conducive condition which can stimulate the emergence of local action and growth (DPLG, 2006a). The LED framework did not dictate what should happen in different municipalities but focused on what the state can do to support local leaders, communities, businesses, NGOs, organised labour and other stakeholders to realise their own and collective objectives (DPLG, 2006a). It is also crucial that LED strategies connect and align with other development strategies, such as the spatial development initiatives (SDIs), in order to drive local and regional development as an integrated approach. The period 2005-2007 also witnessed the release of six other national policies that have impacted on LED. They are: first, the 2005 Policy

Guidelines for Implementing Local Economic Development in South Africa (DPLG, 2005); second, the five-year Local Government Strategic Agenda and Implementation Plan in 2006 (DPLG, 2006b); third, the Accelerated and Shared Growth Initiative (DTI, 2005); fourth, the National Spatial Development Perspective (NSDP) (The Presidency, 2006); fifth, the Draft Regional Industrial Development Strategy (RIDS) (DTI, 2006); and sixth, the National Industrial Policy Framework (DTI, 2007).

The key to the successful implementation of LED strategies at local level depends not on designing small economic projects but on developing a more holistic, viable and strategic practice which will integrate social upliftment and vibrant local economies (Rogerson, 2009b). Apart from the social upliftment of communities, LED strategies should also create both an investment climate and related industries that can further support the provision of infrastructure and associated technologies in towns and cities (Rogerson, 2009b). Since 2006 there has been a greater urgency in boosting the promotion of competitive service-based activities and also in high-level information processing or decision-making, especially in city-regions (Rogerson, 2009b). Despite a highly competitive global environment, the retention and promotion of manufacturing continues to be a significant LED activity in larger cities. These activities are centred on economic restructuring, the promotion of collective learning in industrial agglomerations and maximising the development of firm competencies at the local level (Machaka & Roberts, 2004). A growing number of localities – large cities and small towns – are using tourism as the lead economic sector. In the latter approach, the local authority undertakes a set of interventions designed to make the area a more attractive place for consumption, entertainment or recreation. The renewed interest in tourism as a local sectoral driver for job creation and economic growth has further led to the importance of partnership building between local stakeholders (local communities and public actors).

Although the contemporary direction taken by LED in South Africa's cities has a strong pro-growth focus, there are aspects of LED practice in cities which have a welfare focus (Rhodes University et al., 2006). The pro-poor interventions which can be linked to LED practice are: improved service delivery of infrastructure; an improved regulatory environment for SMMEs in general; the setting aside of municipal land for urban agriculture; providing a facilitative environment for survivalist enterprises (zoning changes, marketing support, periodic markets, appropriate vocational training); public procurement to support an SMME economy; improving the skills base in poor communities; and maximising the impact of the Expanded Public Works Programme.

Regarding South Africa, it is important to note that considerable differentiation exists across the space economy in terms of the practice of LED. At the one end, major cities emphasise the building of systemic competitiveness

which, according to Meyer-Stamer (2008), can be compared to LED practice which is occurring in other middle-income countries. At the other end, away from the metropolitan areas, the picture is less promising. Although there are notable cases of successful LED responses to economic decline in secondary cities and small towns, the general picture is bleak.

Due to the failures and challenges identified in the implementation of the 2006 LED framework (DPLG, 2006b), the document was revised and a new LED framework was launched in 2017. This new framework boasted six core pillars (building diverse and innovation-driven local economies; developing inclusive economies; enterprise development and support; developing learning and economies; economic governance and infrastructure; and strengthening local innovation systems) (Walaza, 2017). What is important about this framework are its five LED supporting (or enabling) pillars, namely monitoring and evaluation; funding; organisational and institutional capacity; development and planning, research and strategy.

#### **2.5.4 Challenges facing the successful implementation of LED**

Although some local authorities have the financial means to implement their LED strategies, they lack the political will and human capacity to enforce them. There is a shortfall further in the required legal and policy support in place (Nel & Binns, 2001). Added to these constraints are factors hampering the successful implementation of LED in South Africa, financial bankruptcy of local municipalities, a lack in business support and investment and a lack in local leadership capacity (Nel & Binns, 2001). Also vital in the successful implementation of a LED strategy are strong leadership and the required work force (trained personal), especially in rural areas to oversee and monitor the implementation efforts (Nel, 1998). Therefore, LED policies should be more sensitive to the conditions pertaining to areas with poor resource and human bases, and where the inclusion of non-governmental LED is advisable (Nel & Binns, 2001).

Presently (2018), local municipalities are still struggling to fulfil their developmental roles outside the metropolitan areas; the two-tier structure of local government is not working efficiently; and districts have inadequate financial, human and physical resources to play their intended roles in planning and coordination. A better fit between the capacity and functions of local governments is required. Many local authorities are failing to raise enough capital (from rates and taxes) to cover their running costs and their LED programmes. The struggling local municipalities need the support of the provincial and national authorities to assist their LED efforts. Without the much-needed finance and institutional capacity to drive LED practice, LED will just exist as a policy document for many municipalities.

## 2.6 CONCLUDING REMARKS

This chapter has sought to set the conceptual base for the research by reviewing the appropriate literature on local and regional development theory. First, the literature review comprised a definitional component where certain concepts (place, locality and region) and notions as (local and regional development and the kind of local and regional development for whom) were presented. Second, explanations were given why geography and history matter in the study of local and regional development. Third, the evolution in regional development thinking since the 1950s was traced by reviewing ideas about and critiques of neoclassic growth theory, endogenous growth theory, old and new regionalism approaches, evolutionary economic geography and the institutional approach. Fourth, some of the international debates on the meaning and significance of LED strategies in relation to the effects of globalisation were considered. Last, a historical overview was given of LED policies, practice and challenges in South Africa. The next chapter explains the methodological framework in which the research was conducted and describes the research instruments and materials used to pursue the objectives of the investigation.

## **CHAPTER 3 METHODOLOGY AND METHODS**

### **3.1 INTRODUCTION**

The previous chapter provided the conceptual and theoretical base for the research. This chapter presents the philosophical underpinnings, the research strategy and the empirical techniques applied. Case studies were conducted of three important economic actors – Saldanha Steel, Saldanha Bay Port and Sea Harvest Corporation – and the Saldanha Bay Municipality (SBM) (local government) in relation to their roles in the local and regional development of the Greater Saldanha Bay (GSB) region. The chapter commences with descriptions of the four components of the research strategy (case studies, mixed methods, evolutionary research, analitative and interpretive research) for distilling meaning from data and information about and gaining insights into the complexities of regional and local development in the GSB region, followed by discussions on the appropriateness of the research approaches. The focus then moves to the instruments for collecting primary data (questionnaires, aerial photos, interviews, focus groups) and the sources of secondary data. Finally, some strengths and weaknesses of the chosen methods are examined and the ethical considerations of the research are dealt with.

### **3.2 RESEARCH STRATEGY**

This research follows a case study research strategy with four cases under investigation. Case study methods was chosen by virtue of its potential to capture and understand the complexities of real places. The research takes a positivist and deductive approach to the case studies. It urges for the definition of questions in advance of data collection. The positivist approach provides a foundation for understanding and managing issues such as validity and reliability, and for structuring data collection and analysis. A mixed methods approach was applied in each of the four case studies where primary and secondary data were collected to produced both quantitative and qualitative data and information. Evolutionary and interpretative dimensions were added to strengthen each case study. The unit of analysis is an actor (or major role player) in the local and regional economies of the GSB region. In the investigation of the complexities of local and regional development in the GSB region, the case studies were purposively selected for three reasons, namely the subjects are major employers in the local economy, their visual footprints are prominent in the town (and region) and they represent different types of firms embedded in layered and multiple institutional arrangements or so-called



institutional architectures. Saldanha Steel is a transnational company;<sup>15</sup> Saldanha Bay Port is a state-owned enterprise; Sea Harvest Corporation is a private company; and SBM a local authority. All four actors are key players in the local and regional economies of the GSB region.

### 3.2.1 Case study research

The use of case studies has become widespread in social research (Denscombe, 2007). A case study is “an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin, 1994: 13). An inherent strength of case studies is the ability to undertake an investigation into a phenomenon in its context. The most challenging aspect of the application of this method is to lift the investigation from a descriptive account of ‘what happens’ to a sample of research which can lay claim to a worthwhile, if modest, addition to knowledge (Rowley, 2002). Case studies are rich, empirical descriptions of particular instances and they are typically based on a variety of sources (Yin, 1994), data and research methods (Denscombe, 2007). Case study research is usually based on a mix of quantitative and qualitative methods. Case studies are useful in providing answers to ‘How?’ and ‘Why?’ questions: a role which can be used for exploratory, descriptive or explanatory research. The method of generalisation for case studies is not statistical generalisation, but analytical generalisation in which previously developed theories are used to compare the empirical results of the case study. Case studies concentrate on relationships and processes, which in social settings tend to be interrelated. Case studies are accommodated in positivist as well as in interpretive philosophical traditions (Cavaye, 1996). Typically, a case study database will include an abundance of varied evidence from different sources. Data analysis of this rich resource is based on examining, categorising and tabulating evidence to assess whether the evidence supports the initial propositions of the study. The analysis should address the most significant aspect of the case study. This investigation drew on the researcher’s<sup>16</sup> extensive knowledge of the area of the case studies. Criticism of case studies as a research method or strategy relate to ‘a lack of rigour’ and ‘objectivity’ when compared to other social research methods (Rowley, 2002). Despite such scepticism about case studies, they are widely used because their empiricism offers insights which might not be achieved by other approaches.

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<sup>15</sup> A commercial enterprise that operates substantial facilities, does business in more than one country and does not consider any particular country its national home.

<sup>16</sup> The researcher has resided in Saldanha town for 56 years. He obtained an MA degree in 1995 with a thesis on the impact of the introduction of a crayfish quota system on the socio-economic position of the fishing communities along the West Coast of South Africa.



### 3.2.2 Mixed methods

The mixed methods approach is a blending of quantitative and qualitative methods in research. It has evolved historically from the notion of the triangulation of information from different data sources (Campbell & Fiske, 1959; Denzin, 1978; Patton, 1990, Lund, 2012). A mixed methods approach is practical and pragmatic in that research questions in empirical studies are given high priority. Mixed methods have been used in basic and applied research, especially in the applied field of evaluation research (Lund, 2012). Onwuegbuzie (2003) described mixed methods research as the class of research whereby the researchers mix or combine quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study. Mixed methods is an expansive and creative form of research and not a limiting form as "...it is inclusive, pluralistic, and complementary, and it suggests that researchers take an eclectic approach to method selection and the thinking about and conducting of research" (Johnson & Onwuegbuzie, 2004: 17). In each case study a mixed methods approach was followed to include a great quantity and variety of evidence from different sources. The use of a method and philosophy which to fit together the insights provided by qualitative and quantitative research was deemed to provide a workable option for this study.

### 3.2.3 Evolutionary research

Regional and local economic development is far from a smooth and incremental process, rather it is subject to all sorts of interruptions and disruptions, periodic economic recessions, the unpredictable rise of major competitors elsewhere, unexpected plant closures, the challenges arising from technological change and the like (Simmie & Martin, 2010). An economic landscape evolves over time and an evolutionary perspective is seen to be essential for a more holistic understanding of issues such as the geographies of technological progress, dynamic competitive advantage, economic restructuring and economic growth (Boschma & Martin, 2010). A snapshot analysis of the three major firms and the local government's role in the local and regional development complexities of the study area could be expected to only provide a superficial and thin analysis. It made more sense to apply an evolutionary approach by which the roles of the three firms had to be examined since their establishment in the region. It is a characteristic of evolutionary theory that it explains a current state of affairs from history: "...the explanation to why something exists intimately rests on how it became what it is" (Dosi, 1997: 1531). Economic geography deals with the uneven distribution of economic activity across space. An evolutionary economic geographical approach centres on the historical processes which have produced these patterns. It means that economic geography is inseparable from economic growth processes because spatial patterns emerge from processes that have taken place in the past, clearly, history matters. At

the same time, spatial distributions affect subsequent patterns of growth due to the uneven spatial distribution of resources built up in the past.

### **3.2.4 Qualitative and interpretative research**

Lee (1991) has made a clear distinction between the interpretive (qualitative) and positivist (quantitative) approaches to research. The interpretive approach requires that “...the social scientist must collect facts and data describing not only the purely objective, publicly observable aspects of human behavior, but also the subjective meaning this behavior has for the human subjects themselves” (Lee, 1991: 347). Lee (1991: 350) observed further that “...the positivist approach makes the claim that its methods – the methods of natural science – are the only truly scientific ones”, while the interpretive approach makes the counterclaim that the study of people and their institutions calls for methods that are altogether foreign to those of natural science. The chief advantage of qualitative research – such as the focus group discussions and unstructured interviews – is the insights gained from the interactions among participants (and interviewee) and the researcher. Crucial in this regard is that the researcher not only reports facts, but also interprets other people’s interpretations of the real-life contexts (Walsham, 1995; Choy, 2014). By building trust between a researcher and an interviewee and/or the participants in the focus group discussion, the potential is increased for follow-up discussions which help to unlock further knowledge and insights. In interpretive research there are no predefined dependent and independent variables, rather a focus on the complexity of ‘human sense making’ as the situation emerges (Macome, 2002). The interpretive approach to case studies acknowledges the intimate relationship between the researcher and what is being explored, along with the situational constraints shaping this process (Rowlands, 2005). Insights and information gained from follow-up interviews with senior managers of the three case-studied firms, interviews with representatives of three different municipal departments (housing, social welfare and local economic development) and focus group discussions with principal role players in the study area all provided qualitative material for further interpretation.

The next section explains the empirical research instruments of the research study.

## **3.3 EMPIRICAL RESEARCH INSTRUMENTS**

Primary data and appropriate information were obtained through a firm-specific questionnaire survey and interviews (Figure 3.1a), an aerial photo analysis augmented by information gleaned from historical maps (Figure 3.1b) and a focus group discussion (Figure 3.1c).

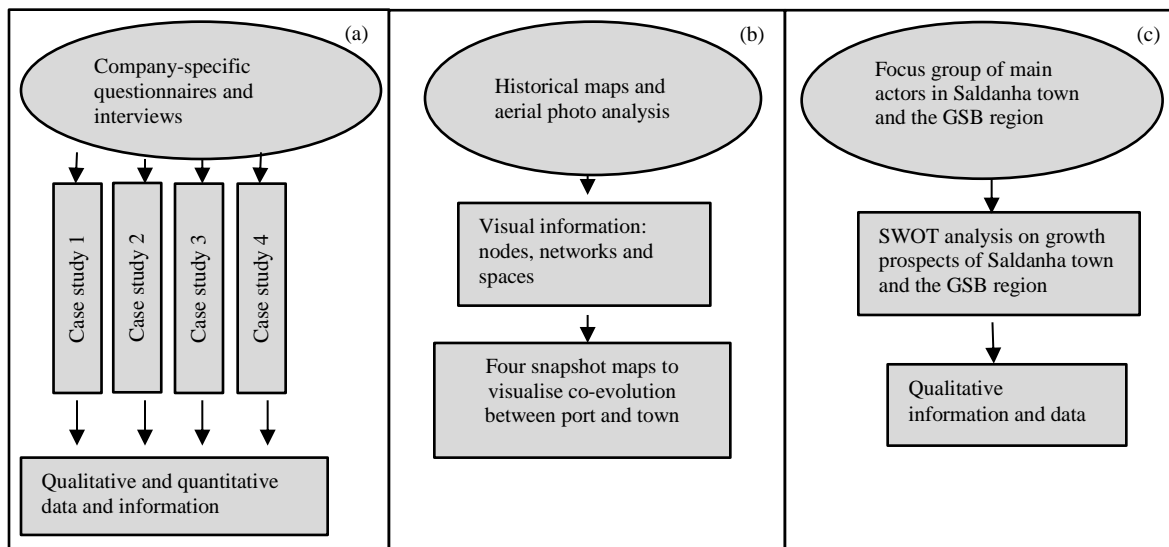


Figure 3.1(a) Company-specific questionnaire and interviews; 3.1(b) Historical and aerial photo analysis; and 3.1(c) Focus group discussion

Follow-up interviews were conducted with the managers of the three economic players to fill information gaps remaining after the completion of the company-specific questionnaire survey. A focus group discussion on the strengths, weaknesses, opportunities and threats (so-called SWOT) of the local and regional economies was facilitated between representatives of the main economic players and officials of the SBM. The following subsections provide more detail on these instruments.

### 3.3.1 Questionnaire survey

Company-specific questionnaires were developed for Saldanha Steel (Appendix B), Saldanha Bay Port (Transnet National Ports Authority or TNPA) (Appendix D) and Sea Harvest Corporation (Appendix F). These questionnaires consisted of 18 questions (supplemented with secondary questions). The questions enquired about the specific firm's reasons for establishment in Saldanha town (or GSB region); the current phase in the life cycle of the company; its future prospects; the employee procurement policy and profile of employees; changes in the number of employees over the lifespan of the company; in-service training opportunities; collaboration with secondary and tertiary educational institutions; procurement of supporting services; networking with sister companies; the forward and backward linkages; product strengths; and the contributions to social responsibility. The questionnaire survey provided both quantitative (historical data) and qualitative answers, as well as other appropriate information. The quantitative data assisted in the analysis of the evolutionary dimension of each of the firms. These data sets included steel production figures since the establishment of Saldanha Steel; employment numbers of all three economic actors; total allowable catches

(TACs) since the 1970s for Sea Harvest; and cargo handled in Saldanha Bay Port. Some 78% of each questionnaire comprised identical questions that were similarly relevant to all three economic players. Senior members of Saldanha Steel, TNPA and Sea Harvest management completed the questionnaires. This represents a form of self-assessment. To fill the gaps left by unanswered questions, a follow-up process consisting of telephonic and emailed communications was executed.

### **3.3.2 Aerial photo analysis**

By using four aerial photographs – 1938, 1960, 1978 and 2010 – the spatial evolution of Saldanha Bay Port, Saldanha town and the related transport networks was traced since 1938. The mapping of the spatial and functional evolution was done by abstracting features (nodes, networks and developed spaces) to create four snapshots of Saldanha town over a 72-year period to 2010. This process was augmented with information from other historical maps to illustrate the co-evolution between Saldanha Bay Port and Saldanha town.

### **3.3.3 Semi-structured interviews**

In this research on the three companies the challenge was to discover how the companies really operate, how their markets are organised, what their competitors are doing and what the locational consequences are. This necessitated interviews with senior managers of the three economic actors. Semi-structured interviews were also conducted with members of the senior management and other well-informed persons in the SBM (including the Executive Mayor). These interviews captured views and perceptions on the political and economic relationships between SBM and the other two levels of government (provincial and national); the ability of the municipality to cope, act and adapt to internal and external economic shocks; the entrepreneurial attitudes and successes of SBM; and the factors that contributed to the possible lock-ins of some of the three firms that operate in Saldanha town.

### **3.3.4 Focus group discussion**

A focus group discussion was conducted in 2016 comprising senior representatives of the three major economic players of the GSB region and the SBM. The researcher had observational status during the two-hour discussion and he was responsible for taking minutes. David Joubert, the Senior Manager, Strategic and Enterprise Risk Services of SBM facilitated the discussion. Discussants representing SBM, ArcelorMittal Saldanha Works, Duferco Steel Processing and the Saldanha Bay Industrial Development Zone (SBIDZ) were present.

Unfortunately, representatives of TNPA and Sea Harvest, two cardinal institutions in the region, were absent. Attention in the focus group centred on the strengths, weaknesses, opportunities and threats (SWOT) of the local economy of the GSB region and on the strategies of each institution for growing and retaining jobs; how they could work collectively to assist in the social upliftment of the community; and how to support skills transfer between the institutions. The deliberations also reflected on the role of local government in creating an enabling environment in which existing firms could operate without too much red tape and, vitally, on how to draw new companies from outside the region to locate in the GSB region to assist in diversifying the economy, so contributing to long-term economic growth. The discussions did not produce all the outcomes and insights that were expected. By using a snowballing procedure, other senior managers of the firms involved in the first round, as well as those of institutions who were absent in the first round, were identified to take part in semi-structured interviews. Interviews were also conducted with officials of SBM, the SBIDZ, Sea Harvest, TNPA and the SBCB. The interviewees were asked to comment on the political and economic relationships between SBM and the other two levels of government (provincial and national).

To determine the degree of local government's resilience, questions were asked about the ability of the municipality to cope, act and adapt to internal and external economic shocks. They were questioned on the entrepreneurial attitudes and successes of SBM. In cases where insufficient or unsatisfactory answers to questions (both quantitative and qualitative) were given, and recorded by researcher during the semi-structured interviews, follow-up telephonic and emailed communications were later conducted to fill the gaps and get clarity. Table 3.1 summarises the types of data and information supplied by these informants.

Table 3.1 Informants involved in data-specific follow-up communications and the nature of their responses

<b>Position of informant</b>	<b>Types of data or qualitative information</b>
<b>Saldanha Bay Municipality (SBM)</b>	
1. Head of indigent household grants	The number of indigent households of towns in Saldanha Bay Municipality
2. Local economic development manager	The number and type of economic and social development projects in Saldanha town and the Greater Saldanha Bay (GSB) region
3. Strategic manager	Perspectives on development issues in Saldanha town and the GSB region: the

Table 3.1 continued overleaf

Table 3.1 continued

<b>Position of informant</b>	<b>Types of data or qualitative information</b>
	socio-economic challenges of unskilled immigrants; are they unskilled immigrants; are they prepared for this influx; their relationship with Transnet National Ports Authority; and the stumbling blocks for regional development.
4. The executive mayor	The challenges facing the GSB region such as red tape; their future plans; and the issue of collaboration between formal and informal institutions
5. Councillor	Problems of engagement with economic players and the capabilities of the SBM to be entrepreneurial
<b>Saldanha Bay Chamber of Business</b>	Challenges facing the institution and possible plan of action
<b>Transnet National Ports Authority (TNPA)</b>	
1. Manager: Port planning and development	Type of infrastructure development and future plans
2. Communication manager	Relationship with the SBM
3. Accounts manager	Total exports of iron ore and the problems of red dust pollution
4. TNPA's manager	Challenges facing the institution and reasons for their lack of involvement in building collective trust and entrepreneurship
<b>Saldanha Steel</b>	
1. Financial manager	Socio-economic contribution to the Western Cape economy and quality of local labour force, challenges and alternatives
2. Development manager	Social contribution and in-service training, learnerships, apprenticeships and bursaries
3. Former worker of Saldanha Steel	Number and type of engineering firms doing businesses (providing service inputs and maintenance) to the production processes
<b>Local property specialist</b>	Impact of Saldanha Steel on the property market in Saldanha, Jacobsbaai and Langebaan towns
<b>Sea Harvest Corporation</b>	
1. Strategic service executive	1. The importance of deep-sea hake industry to the local and regional economy and the reasons for retaining jobs while the hake fishery is under enormous threat and the company has started to mechanise most of its processes. 2. Information about workers' shares information (benefits) and long-term rights
2. Manager info services	Physical infrastructure development
3. Supply chain manager	Sea Harvest's spending on material suppliers and service providers
3. Supply chain manager	Sea Harvest's spending on material suppliers and service providers

Table 3.1 continued overleaf

Table 3.1 continued

<b>Position of informant</b>	<b>Types of data or qualitative information</b>
4. Human resource manager	1. Amounts paid to local municipality (electricity, water and refuse removal) and contributions to government revenues 2. Contribution to the Corporate Social Investment Programme and information regarding internship and apprenticeship programmes
5. Retired Saldanha town citizen	Sea Harvest's history and impact on the socio-economic status of the coloured community (workers) and fishermen
<b>Department of Agriculture, Forestry and Fisheries</b>	
Human resource manager	Geography of offshore hake right-holders (residence per province)
<b>South African Deep-Sea Trawling Industry Association</b>	
Chairperson	1. The rationale for the using of long-term access rights, especially for deep-sea hake 2. Consequences of the fragmentation of the deep-sea hake industry
<b>Saldanha Bay Industrial Development Zone</b>	
Skills development officer	1. SBM's capacity to identify and drive its own local-based economic projects. 2. SBM's inability to be entrepreneurial.

To strengthen the depth and the scope of the case studies, many published and unpublished sources were consulted for secondary data and information, as reported next.

### 3.4 SECONDARY DATA

The sources of secondary data were company-specific annual reports, hake industry fact sheets, integrated development plans (IDPs) of the SBM (2012-2017), the Saldanha Bay Industrial Zone Feasibility study and Statistics South Africa (StatsSA). Table 3.2 lists the published sources of data and information which were consulted. These secondary sources were scrutinised to distil additional data and information to enable an in-depth analysis of each case study.

Table 3.2 Secondary sources consulted and the nature of extracted data and information

Source	Types of data or information
StatsSA (2001; 2011a; 2011b; 2016)	Population statistics of Saldanha town and the Greater Saldanha Bay region (socio-economic profiles) Economic sector performance
INCA Portfolio Managers (2015)	Saldanha Bay Municipality (SBM) gross value added (GVA) data, total operating income and municipal expenses
Saldanha Bay Municipality (2014)	Economic sectoral data
Wesgro (2011)	Scope, nature and contribution of the Saldanha Bay Industrial Development Zone (SBIDZ) in regional development and household income
ArcelorMittal South Africa (2008)	Evolution of ArcelorMittal South Africa
ArcelorMittal Saldanha Works (2011)	Information about emissions control and environmental management of Saldanha Steel's availability of land at fair-cost purchase or rental agreements to encourage linked developments and/or industrial relatedness. Saldanha Steel's sustainable production methods
ArcelorMittal (2014)	Information about Saldanha Steel merging of leading-edge technologies to produce high-quality, ultra-thin hot-rolled coil (UTHRC).
Western Cape Government Provincial Treasury (2015)	Job opportunities in the different economic sectors.
The Presidency (2012)	Saldanha Bay Port's comparative advantages
Saldanha Steel (2016)	Saldanha Steel's contribution to the Western Cape economy
<i>Business Day</i> (2013)	Local property trends
DTI (Department of Trade and Industry) (2013)	Large users of steel
SouthAfrica.info (2015)	Investment in infrastructure
Transnet National Ports Authority (2014)	Iron-ore price, 1993 to 2014 Exports of iron ore from the Transnet Port Terminal, 1994 to 2014
Sea Harvest Corporation (2016)	Number of Sea Harvest's permanent and contract employees, 2005 to 2016
Sea Harvest Corporation (2016)	Sea Harvest's spending on material supplies and services in 2015

Table 3.2 continued overleaf



Table 3.2 continued

Source	Types of data or information
Sea Harvest Corporation ( 2016c)	Sea Harvest's hake quota and hake catches, 2002 to 2015 Internship and apprenticeship programmes
World Wildlife Fund (2015)	Value of South African fisheries sector and total employment
World Wildlife Fund South Africa (2011)	State of South Africa's commercial fish species
FAO (2014)	World's fish stock
<i>Government Gazette</i> (2015)	Annual South African catches of hake, 1920 to 2015
SADSTIA (2015)	Expansion of deep-sea hake products and markets
SADSTIA (2016)	Broad-based black economic empowerment (BBBEE) component
SADSTIA (2017)	Black empowerment policies
DAFF (2017)	Geography of offshore hake right-holders (residence by province)
Responsible Fishing Alliance (2015)	Creation of jobs in the demersal hake industry
West Coast District Municipality (2012)	Total geographical area of SBM

Table 3.2 provides an abundance of varied evidence from different sources to strengthen the analysis of each case study. These rich resources or databases enabled the researcher to examine, categorise and tabulate evidence to address significant aspects of the four case studies.

The slow responses from the major economic players on the company-specific questionnaires and the part-time mode of the study have significantly lengthened the time span of the research. The next section explains the extended period of the research process.

### 3.5 TIME FRAME OF THE RESEARCH PROCESS

The preliminaries for this PhD research – done as a part-time study – started in 2011 with a literature search and review, and the development of a research proposal. The Research Committee for Higher Degrees of the Faculty of Arts and Social Sciences of the Stellenbosch University accepted the research proposal in January 2012. During 2012 and 2013 an application for ethical clearance was submitted, empirical research instruments were developed, and applications were made for permission to use institutional data. Progress in the latter task was hindered by the various sets of rules about how to obtain data from each firm. Delays in getting permission from local branches and head offices (national) to conduct the questionnaire survey further lengthened the time span of the research. Although the case studies produced valuable insights into the properties of each economic

actor, restricted access to appropriate managers for follow-up interviews obstructed deeper appreciation of the actors' roles. The authorities of Saldanha Steel and Saldanha Bay Port took more than three months to grant permission for their senior employees to be interviewed. Although Sea Harvest, gave the green light within a week, they then took almost six months to provide all the requested quantitative and qualitative information. Some of the economic actors used their privacy policy not to divulge some of the requested information.

Data collection for the four case studies stretched over a 25-month period from May 2014 to September 2016. The first case study involved the role of Saldanha Steel (manufacturer of hot-steel coils) in the regional development of the GSB region. The concept of symbiosis was used to explain the positive and negative impacts of this company since its establishment in its local and regional contexts. The second case study centred on port-town co-evolution by considering the case of TNPA and Saldanha town. The third case study traced the evolution of Sea Harvest – a deep-sea hake trawl company – as the backbone of the local and regional economies. The fourth concerned the role of SBM in local and regional development. Creswell (2014) has claimed that although the data collection process for case studies is not easy, such studies are worthwhile to assist in theory building; to dispute or challenge theory; to explain a situation; to provide a basis for applying solutions to situations; and to explore or describe an object or phenomenon. One of the inherent strengths of using case studies to collect qualitative data is that they provide more detailed information for understanding the complexities of real-life contexts. The use of mixed methods (semi-structured and unstructured interviews, and focus group discussions) further contributed to the reliability and validity of the findings. But despite merits of case studies, this type of research bears several weaknesses.

### **3.6 WEAKNESSES OF THE METHODS USED**

When data are collected from a small number of organisations through methods such as focus group discussions, in-depth interviews and longitudinal studies (all constituents of the case study approach) – the aim is to understand the problem being investigated by asking penetrating questions and capturing the richness of organisational behaviour. But the likelihood exists that conclusions drawn may be specific to the particular organisations studied and therefore not be generalisable. According to Queirós, Faria & Almeida (2017: 9) “...it can be difficult to establish a cause-effect connection to reach conclusions and it can be hard to generalize, particularly when a small number of case studies are considered.” Lee (1989) identified four inherent problems with case study research – a lack of controllability, deductibility, repeatability and generalisability. Lee (1989) has defended the case study by suggesting that these problems are not endemic to case study nor insurmountable. Although focus group discussions can provide broader ranges of perspectives and information,

they are sometimes difficult to control or manage. It also takes effort to convince representatives to be present and to coax them to participate actively when present at the discussion. Despite these weaknesses, qualitative research methods of interviewing and focus group discussions do contribute to providing a deeper and broader understanding of the complex realities under investigation. The most serious weaknesses of quantitative research methods (for example a questionnaire survey) are that they usually do not include human perceptions and beliefs, and they are lacking in-depth description of experiences (Choy, 2014). Jick (1983) long ago underscored the desirability of mixing methods on the grounds of the strengths and weaknesses found in single-method designs. Through the use of multiple methods the robustness of results can be increased and findings can be strengthened through the cross-validation achieved when different kinds and sources of data converge (Kaplan & Duchon, 1988). Flanagan (2013) has asserted that the use of mixed methods is a powerful tool for unravelling truths about the world, exploring new theories and gaining new insights.

Most research involves critical ethical considerations. The next section presents the ethical procedure for any research in the Faculty of Arts at Stellenbosch University and the ethical considerations for this research.

### **3.7 ETHICAL CONSIDERATIONS**

Ethics are the norms or standards which distinguish between right and wrong when conducting research. They help to determine the difference between acceptable and unacceptable research behaviours. Ethical standards prevent the fabrication or falsifying of data, so, promoting the pursuit of knowledge and truth which is the primary goal of research. Researchers must also adhere to ethical standards to ensure the public will support and believe in the research outcomes. The public must be assured that researchers follow the appropriate guidelines regarding issues like human rights, animal welfare, compliance with the law, conflicts of interest, safety and health standards. The correct handling of these ethical issues greatly impacts on the integrity of a research project. Because ethical considerations are vital in research, universities and other professional associations and agencies have adopted codes and policies which outline ethical behaviour and give guidance to researchers. These codes and policies provide the basic guidelines although researchers still face additional issues which are not specifically addressed and these will require decisionmaking on the part of the researcher to avoid misconduct. A crucial ethical consideration in research is the use of human subjects.

To address these considerations, the University of Stellenbosch has developed an institutional review panel. This panel of appropriate faculty members ensures the safety of human subjects in research and assists in making sure that human rights are not violated. The panel reviews the research methodology and methods

to assure that ethical practices are followed. The reviewing panels also help to protect the institution and researchers against potential legal implications resulting from any behaviour that may be deemed unethical. These issues include voluntary participation and informed consent. These principles are followed to guarantee that all human subjects choose to participate of their own free will and that they have been fully informed regarding the procedures of the research project and any potential risks. Ethical standards also protect the confidentiality and anonymity of the subjects. This research went through Stellenbosch University's ethical clearance process in 2012. The four case studies were regarded as low risk. The representatives of the firms and the local government were not asked to reveal any sensitive company-specific data or private information of the firm or about themselves. Participation was voluntary and no incentives were given to encourage participation. Institutional permission was essential for obtaining historical company-specific data and for collecting new empirical information. Sufficient prior notice was given to every interviewee or informant and the purpose of the study and how the data would be used were explained clearly to participants. In the case of the focus group discussion an official letter explaining the overarching aim and main objectives was sent to the four participating institutions. In contrast to most case study research where a high premium is placed on anonymity and confidentiality, all the respondents in this research agreed positively to the question: "Can I mention your name, position and institution (firms and local government) in the case studies?" This very high degree of verbal consent obtained from the economic players and the public actor reflects the level of trust between the researcher and the respondents. Although the nature and information about the operational functionality of economic players is complex and often highly secret, the local and head offices fully agreed to take part in the investigation and complete the company-specific questionnaire. The last section concludes with a summary of the chapter.

### **3.8 SUMMARY**

This chapter examined and discussed the methodological considerations of this study on regional development of the Greater Saldanha Bay region. The chapter spelt out the research strategy, the empirical research instruments, the acquisitions of primary data, the sources of secondary data, the time frame of the research process, its constraints and limitations, the strengths and weaknesses of case studies and the relevant ethical considerations. The data analyses and the presentation of the results of the four case studies are reported in the next four chapters. The empirical findings of each case study are also linked to existing theory of local and regional development. In the following chapter, the role of Saldanha Steel in the local and regional development of the GSB region is presented.

## **CHAPTER 4 REGIONAL DEVELOPMENT OF THE GREATER SALDANHA BAY REGION, SOUTH AFRICA: THE ROLE OF SALDANHA STEEL**

### **4.1 INTRODUCTION**

This chapter explains the nature and extent of the relationship between a single secondary industry – Saldanha Steel – and the economic development of the Greater Saldanha Bay (GSB) region<sup>17</sup>. The analysis combines quantitative data from the firm-level survey and the national censuses of 2001 and 2011 with qualitative and quantitative interview data. Since 1970 the GSB region on the West Coast of the Western Cape province has been high on South Africa's national development agenda. The region has been struggling for years to meet the preconditions for economic take-off. In this analysis the GSB region is positioned in the contexts of global competition among steel-producing countries, South Africa's national development plan and the Cape Town metropolitan region. Following a brief introduction and background to the GSB region, the evolutionary economic geography (EEG) approach and the role of institutions in the development of regions are reviewed. Saldanha Steel (ArcelorMittal), the pioneer industrial firm, is analysed by using a mixed methods approach, where semi-structured interviews and a questionnaire survey are the main research instruments. The contribution of Saldanha Steel to regional development is explored.

Since the late 1960s, Saldanha town and the GSB region have been on the South African government's national development agenda because of their strategic location on the West Coast and the presence of a deep-water harbour. Over the past 20 years the economy of Saldanha town has experienced a gradual shift from production-orientated primary activities (agriculture and fisheries) toward capital-intensive secondary activities (steel manufacturing). In the mid 1990s the importance of the GSB region was further confirmed when it was earmarked as a region that would benefit from spatial development initiatives (SDIs) – a national policy – where certain regions (corridors, industrial zones and clusters) were identified for special development support (Rogerson, 1998; 1999; 2001). Most SDIs are coastal development corridors, including port facilities (Bek, Binns & Nel, 2004).

In 1998, a steel-processing plant of the Industrial Steel Corporation of South Africa (ISCOR) was established at Saldanha town and in 2011 the region was listed as presidential priority development region (National Planning Commission, 2011). In 2012 the region was proclaimed as a new industrial development zone (IDZ),

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<sup>17</sup> This chapter was published in article format (Welman & Ferreira, 2014).

one of group of new spatial interventions launched in South Africa (Nel & Rogerson, 2013; 2014). At the opening of Saldanha's new IDZ in November 2013, South Africa's President Jacob Zuma proclaimed: "It is a new beginning for the region" (Jacka & Saunders, 2013: 1).

Saldanha town is linked to the Sishen area – a resource outpost in the Northern Cape – by a single 860-km, heavy-haul railway line specifically designed and equipped for handling at least 27 million metric tons of iron ore per annum (Taylor, Page & Geldenhuys, 1988). The mass exports were meant to establish South Africa as a leader among the world's iron-ore exporting countries. But, currently the steelmaking capacity of South Africa exceeds the domestic demand and along with a global overproduction of steel (Ernst & Young, 2014), the demand for iron ore and steel coils has declined to the detriment of the profitability of the ArcelorMittal steel-producing plant in Saldanha town (ArcelorMittal, 2014). Provincially, the GSB region complements the Cape Town metropolitan functional region (Clark, Dexter & Parnell, 2007) by offering breathing or developable space for the fast-growing Cape Town metropolitan area through affordable land for the future establishment of manufacturing industries, extra harbour capacity and leisure space for Capetonians.

Today, the steel-producing plant is known as Saldanha Steel and it is part of the ArcelorMittal South Africa group (Table 4.1). The establishment of this large undertaking was heralded as the generator of regional development in an arid peripheral region with rich ocean-fishing grounds albeit now under threat with dwindling fish stocks. The decision to industrialise Saldanha town was received with mixed emotions regarding the economic and environmental health of the Saldanha Bay area and its local communities.

Table 4.1 Evolution of ArcelorMittal South Africa

Year	Event
1928	ISCOR founded
1989	ISCOR privatised and listed on the Johannesburg Stock Exchange (JSE)
1996	ISCOR embarks on major restructuring programme
2001	Unbundling of steel-producing and mining enterprises into Iscor and Kumba respectively
2002	Iscor enters into strategic partnership with London Mining Network (LMN) with a business assistance agreement (BAA)
2004-2005	LMN lift stake to 52% and name change to Ispat Iscor
2005	LMN holdings and Ispat merge to form Mittal Steel
2006	Mittal Steel merge with Arcelor to form ArcelorMittal
2007	Name-change to ArcelorMittal South Africa

Source: Compiled from ArcelorMittal South Africa (2008)

Locally, the GSB region accommodates important economic sectors (such as fisheries and steelmaking) as well as important government institutions (Military Academy, the South African Naval Academy and South African Special Forces). These sectors and institutions are responsible for more than 50% of all job opportunities in the West Coast region (West Coast District Municipality, 2017). The expectations around the establishment of the steel-processing plant in the Saldanha town were high concerning job creation and other economic spin-offs.

This chapter aims to explain the nature and extent of the symbiotic relationships between a single secondary industry – Saldanha Steel – and the regional development of the GSB region. First, there is a brief introduction to EEG as an approach to understanding the development path of regions, the role of institutions (or firms) in the development of regions and regional development policy in South Africa regarding SDIs. Second, the mixed-methods approach, including an in-depth case study of Saldanha Steel, semi-structured interviews with informed managers, a questionnaire survey and a review of appropriate secondary information are reported. Third, Saldanha Steel's contribution to regional development is examined.

## **4.2 EVOLUTIONARY ECONOMIC GEOGRAPHY AND THE ROLE OF INSTITUTIONS**

An evolutionary approach focuses on the historical processes that produce uneven patterns of economic development. EEG explains the spatial evolution of firms, industries, networks, cities and regions based on the grounds of the processes of the entry, growth, decline and exit of firms, and their locational behaviour (Storper, 1997). EEG focuses on the regional scale since development tends to be geographically bounded (Boschma & Lambooy, 1999; Boschma & Frenken, 2006). An EEG approach contributes to our understanding of development in national territories and the refining of general economic theory. Although local contexts are important in the EEG approach, it goes beyond the specific and the unique case studies (Boschma & Frenken, 2009). EEG scholars recognise three foundations of EEG – path dependence, complexity theory and generalised Darwinism (Boschma & Martin, 2010). These concepts form the bedrock on which empirical work is built. The current distribution of economic activity across space is understood as an outcome of largely contingent, yet path-dependent, historical processes.

Across different regions around the world, increasing attention has been paid to the roles of institutions in economic development, how they affect economic development and how institutions can be introduced into policy-making processes. Bek, Binns & Nel (2004) have posited that although institutions play an important role in regional development, it is not clear why these institutions are less successful in socio-economic



transformation. Boschma & Frenken (2006) agree that institutions play a vital role in EEG and assert that an evolutionary approach perceives the behaviour of firms as mainly stemming from their routines, rather than from territorial institutions (Boschma & Frenken 2009). Firms develop routines in path-dependent and idiosyncratic ways so that the routines of firms vary greatly, even under the same institutional conditions. Care must be taken to avoid reading the behaviour and performance of firms deterministically regarding territorial institutions (Gertler, 2010). The deepening, strengthening and expansion of the EEG approach to institutions has resulted in the re-emergence of the concept of institutional thickness. Amin & Thrift (1995) define institutional thickness as a combination of factors involving inter-institutional interaction and synergy, collective representation by many bodies, a common industrial purpose and shared cultural norms and values. Scholars of trust (Berggren & Jordahl, 2006) and social capital (Putman, 1993; Beugelsdijk & Van Schaik, 2005) contend that trusts and social capital are essential elements of institutional thickness. Other researchers have found that communities, localities and regions with a ‘thin’ institutional thickness have a low probability of achieving sustainable economic development (Amin, 1999; Woolcock, 1999; Bek, Binns & Nel, 2004).

As geographical space is inherently uneven economically (Harvey, 2006), it requires spatially focused locally unique interventions (Rogerson, 2009a). These interventions offer opportunities to address the complexities of territorial planning and mobilise the strategic competitive advantages of place-based assets within a globalised economy. Attention turns now to the national context of this study. A review is offered of the major national policies that have influenced development in South Africa since 1994, most of which are seen to be spatially neutral (Oranje, 2010) and, of the SDI programme that is appropriate to the context of this investigation. Section 4.3 describes and explains development policy in South Africa since 1994 and the SDIs.

#### **4.3 DEVELOPMENT POLICY IN POST-APARTHEID SOUTH AFRICA AND THE SDIs**

Spatial inequalities are a stubborn legacy of apartheid, both reflecting and reinforcing wider social inequalities in the country (Nel & Rogerson, 2009). SDIs were formulated to improve the functioning of government in targeted regions of the country, particularly those areas with the greatest potential for new growth (Rogerson, 1998; 1999; 2001; 2002). Industrial development zones (IDZs) such as at Saldanha town, Coega and Richard’s Bay became the beacons of SDIs which were established in selected regions. The scheme was initiated by the Department of Trade and Industry (DTI) to develop regions having inherent economic potential – but were under-resourced due to apartheid spatial planning – by generating regional sites or clusters of economic agglomerations (Luiz, 2003). In their review of the success or not of the SDI initiatives in the West Coast, Bek, Binns & Nel (2004: 24) found a “general lack of entrepreneurial culture within the non-white component of the



West Coast population, and the lack of an effective growth coalition among local institutions to facilitate development.” They ascribed the “lack of business culture among non-white citizens to the legacy of apartheid where ‘people from colour’ were destined to be labourers in factories and fishermen and this impacted detrimentally on the creation and development of knowledge and skills for entrepreneurship” (Bek, Binns & Nel, 2004: 25). Key government responses to this include the obligation of addressing the legacy of apartheid spatial planning and the promotion of rural development to create five million jobs in terms of the New Growth Path (Department of Economic Development, 2011).

Since the advent of the democratic South Africa in April 1994, five important policies have entered the national development scene (Table 4.2), some with direct spatial implications and some focused on the redistribution of wealth in a society characterised by an extremely wide gap between the affluent and the poor. In May 2014 the South African government passed the Special Economic Zone (SEZ) Act (RSA, 2014) as introduced a new era of spatial planning and intervention (Nel & Rogerson, 2014; Rogerson, 2014).

Table 4.2 South Africa’s main economic development policies since 1994

Year	Policy and aim	Acronym
1994	<b>Accelerated and Shared Growth initiative for South Africa:</b> Reduce poverty by 2010 and halve unemployment by 2014.	ASGISA
1994	<b>Reconstruction and Development Programme:</b> Broad socio-economic upliftment	RDP
1996	<b>Growth employment and redistribution:</b> Stimulate faster growth to provide for social investment needs	GEAR
2010	<b>New Growth Path</b> Accelerate economic growth to provide for all election promises.	NGP
2012	<b>National Development Plan</b> Long-term, socio-economic development roadmap	NDP

Source: Compiled by author

Although South Africa has had several spatial policies and programmes, which have had huge costs, national authorities have not learnt sufficiently from them (Todes, 2013). Noteworthy, most of these post-apartheid economic policies as outlined in Table 4.2 have been relatively short-term, so the impacts may not be as substantial as might otherwise have been possible. The next section elaborates on the research method applied in this case study.

## **4.4 RESEARCH METHOD**

The EEG approach was used to analyse the industrial development path of the Saldanha town and of the role played by Saldanha Steel in regional development. First, a desktop study was done of all available and appropriate information about the development of the GSB region and Saldanha Steel, including annual reports. Second, senior management (and other knowledgeable people) of Saldanha Steel were interviewed about the reasons for the firm's establishment, the company's performance over the last 18 years and the development scenarios for the company. Senior members of Saldanha Steel's management also completed a questionnaire consisting of 18 questions (Appendix B). Working from a crude picture (self-assessment and completed questionnaire) a snowballing process, consisting of telephone and email communications was followed to complete the data collection.

As explained in Chapter 3, questionnaires captured quantitative as well as qualitative information about the economic player regarding their performance and contribution to regional development. Follow-up telephonic interviews with and emailed questionnaire were sent to the corporate manager of Saldanha Steel.

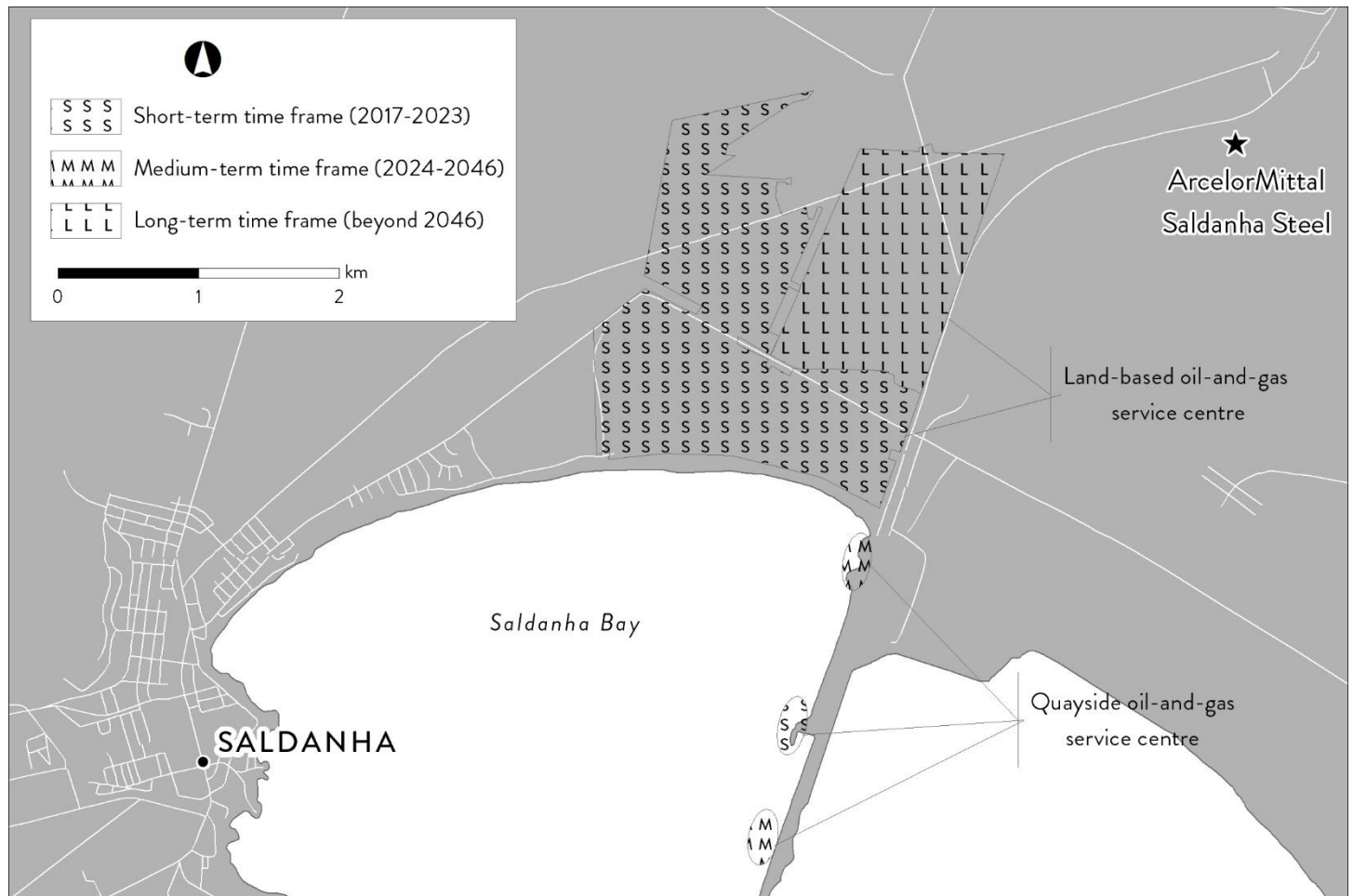
## **4.5 REGIONAL DEVELOPMENT OF THE GREATER SALDANHA BAY REGION: THE ROLE OF SALDANHA STEEL**

This next section is divided into five subsections: Subsection 4.5.1 discusses the evolution of Saldanha town and the establishment of an industrial node; Subsection 4.5.2 elaborates on the industrial location factors, core business and cluster formation; Subsection 4.5.3 gives attention to the sourcing of employees, contractors and services; Subsection 4.5.4 describes the forward and backward linkages; and Subsection 4.5.5 concludes with the Saldanha Steel's contribution to the regional economy.

### **4.5.1 The evolution of Saldanha town and the establishment of an industrial node**

Saldanha town is situated approximately 110 km northwest of Cape Town on the South African West Coast (Figure 4.1). The bay has a wide entrance between two protruding peninsulas making it one of the best natural harbours of the south-western part of the African continent. Over the centuries the bay has been used as a harbour of refuge by passing explorers and East Indiamen (Zwemmer & Van't Hof, 1983). According to Zwemmer & Van't Hoff (1983: 1248), had it not been for the lack of fresh water "Saldanha Bay would have

been developed as a major port long ago.” Saldanha is the major settlement of the Greater Saldanha Bay region and forms an integral part of the oil-and-gas service centre. Today, Saldanha town has a relatively strong manufacturing sector and it is a well-known port town. The regional economy is based on steel manufacturing, fishing, tourism and harbour-related industries. The GSB region occupies an important place in national, provincial and local regional development.



Source: Author

Figure 4.1: Saldanha town and the proposed IDZ (short-, medium- and long-term time frame)

Highlights in the development of the infrastructural base (spine) of the region (Table 4.3) were the three-kilometre long artificial breakwater linking Marcus Island to the mainland (1973); the Sishen-Saldanha railway line (1974); and, the extension and deepening of the port (1976). These developments set the foundation for industrial development in the region, but they also created industrial-path dependence that would constrain future tourism developments. During the 1980s the completion of the multi-purpose cargo terminal enabled oil imports and the export of high-value lead and copper. In 1998 a steel-processing plant was established by the publicly-owned Iron and Steel Corporation (South Africa) (ISCOR) in Saldanha. Today the mother firm is

ArcelorMittal South Africa which operates major facilities at Newcastle, Vanderbijlpark, Vereeniging as well as at Saldanha town.

Table 4.3 Major infrastructural and industrial developments in Saldanha town since 1973

<b>Date</b>	<b>Type of infrastructure and firms established</b>
1973	3-km artificial breakwater linking Marcus Island to the mainland
1974	Sishen-Saldanha railway line
1974-1976	Iron-ore jetty
1975-1976	Oil jetty (facilities for handling oil imports)
1976	Extension and deepening of the harbour
1980	Multi-purpose cargo terminal added to iron-ore jetty (facilities for handling high-value lead and copper concentrates)
1994	Tronox (mine and beneficiate heavy minerals to produce titanium dioxide feedstock) – previously Namakwa Sands
1997-1998	Extensions to multi-purpose terminal
1998	Saldanha Steel (ArcelorMittal)
1999	Duferco (steel coils)
2012	Industrial Development Zone

Source: Author

The works at Saldanha town are called Saldanha Steel which is part of a transnational family of steel-producing plants in 25 countries. Duferco – a Swedish firm that refurbishes steel coils – joined the incipient industrial cluster in 1999. Unfortunately, because of the lack of certain preconditions for industrial take-off, other megaprojects (aluminium smelters, titanium plants and large-scale chemical plants) identified between 1999 and 2008 for inclusion have never been realised. Reasons given are “limited government cooperation between local and provincial government”, the lack of provision of certain services and the environmental sensitivity of the adjacent Ramsar wetlands site (Wesgro, 2011: 6).

During 2011 the GSB region was listed as one of the presidential priority development regions (National Planning Commission, 2011) and in 2012 declared as a new IDZ (The Presidency, 2012). According to the national development plan (NDP) the IDZ of Saldanha town is strategically positioned to serve the envisaged oil-and-gas service centre on the African continent and will create opportunities for components manufacturing to support the oil-gas-industry (The Presidency, 2012). SDIs and IDZs became key components of the government policy response to the national and regional spatial economic development needs of the country (Kleynhans, Naude & Van der Merwe, 2003).

In the following subsections the information, data and observations obtained through the secondary and primary surveys of Saldanha Steel are presented and analysed. This covers the reasons for its establishment, present phase in the life cycle, core business, sourcing of employees, procurement of contractors and services, forward and backward linkages, the nature and extent of in-service training, current standing of the company and its economic contributions to the wider region and province.

#### **4.5.2 Locational factors, core business and cluster formation**

The main reasons for the establishment of Saldanha Steel in Saldanha town were to add value to the available iron-ore; the availability of affordable labour, land, electricity and other raw materials; opportunities in the export market; proximity to the harbour; and an opportunity to stimulate the West Coast District's regional economy. Saldanha Steel is 19 years old, in the middle-of-life (MOL) phase of its life cycle as a firm and it is a largely export-focused plant. The firm continually faces the challenge of being tied to the export market in which competition from major steel-producing countries like China, India, Japan and Korea are fiercely strong. Plant closure was contemplated in 2010 but improved cost performance through an intensive energy-saving programme combined with a world-class manufacturing programme has ensured availability and reliability. The plant now produces hot-rolled coil (HRC) at a capacity of approximately 1.2 million tonnes per annum. The plant is distinguished by its merging of leading-edge technologies to produce high-quality, ultra-thin hot-rolled coil (UTHRC) (ArcelorMittal, 2014).

It is stated about Saldanha Steel that “The ISO (International Organization for Standardization) 9002 and ISO 14001 accredited plant is the only steel mill in the world to have successfully combined the Corex or Midrex process into a continuous chain – replacing the need for coke ovens and blast furnaces, and making the plant a world leader in emission control and environmental management” (ArcelorMittal Saldanha Works, 2011: 1). The facilities and technologies at Saldanha Steel were designed to produce clean steel with virtually no impurities such as tin or copper. The continuous-production chain is exceptionally short, taking only 16 hours from the time iron ore enters the Corex or Midrex units to exit of the rolled product. In the highly-competitive international HRC market, Saldanha Steel has carved a niche in applications requiring HRC in thicknesses of less than 1.6 mm. In 2009 they sold 20 000 metric tons per month to Duferco (firm located in Saldanha town) and the rest of their products were exported. Key target markets are West and East Africa (Saldanha Bay Municipality, 2009). The establishment of Saldanha Steel has not only triggered the development of Duferco (a complementary steel-coil manufacturer) but also the establishment of various other engineering firms in close proximity to the plant. Six engineering firms, namely Westarcor, Vaalmac, Profab, Dagbreek, Saldanha

Rewinding and Panda are all located in the Saldanha heavy-industry zone. A co-evolutionary perspective (Nelson, 1995) is important here because it acknowledges how the innovation and technology of a single secondary industry (Saldanha Steel) leads to the establishment of new firms in the Saldanha Bay industrial development zone (SBIDZ). Saldanha Steel has made some of its land available at fair-cost purchase or rental agreements to encourage linked developments and/or industrial relatedness (ArcelorMittal, 2014).

#### **4.5.3 Sourcing of employees, contractors and services**

Saldanha Steel employs 542 permanent workers and has a policy that at least 60% of its employees must be sourced locally. Thirty-one per cent of the skilled and 40% of the semi-skilled employees originate in the West Coast District. In addition to these job opportunities, the firm outsources service provision to subcontractors (engineering, cleaning, slag handling, etc.). Some 690 contract workers are onsite but these jobs are seasonal in nature. A major concern for the management of Saldanha Steel is the quality of the local human resources and a lack of appropriate skills and qualifications. Shortages of skilled workers are addressed through the use of a skills development pipeline and facilities such as the local Science Centre in Vredenburg town (13 km from Saldanha town). Nevertheless, there is competition for human resources in the immediate area from other enterprises. The issues of skills and secondary education are not related to a specific institution rather the national criteria set for competence does not work in practice. The previous training period of four years for an artisan has been reduced to 18 months with the result that inadequately trained employees do not have the degree of competence to function unsupervised in an industrial environment. This situation can be rectified only at a national level. Until then Saldanha Steel is responsible for in-service training on all levels from basic skills to managerial status.

#### **4.5.4 Forward and backward linkages**

Saldanha Steel is linked to the global, national, provincial and local economies. For example, since its establishment Saldanha Steel has had product and resource exchanges with Pretoria Portland Cement (PPC) which provides dolomite and lime from its quarries and reciprocally uses the slag from Saldanha Steel's production processes to manufacture cement in their plants at De Hoek and Riebeek-Wes. Steel production at Saldanha is dependent on acquiring essential inputs like iron-ore pellets from Brazil, coal from Limpopo and coke from China if not available from Vanderbijlpark in South Africa. The following firms provide service inputs to Saldanha Steel's production process: IMS Tube City (provider of on-site, industrial mill services), Radex Herekligt International (supplier of fireproof products), Westarcor (manufacturer of certain parts for

production process), Air Liquide (supplies oxygen used in the steel-manufacturing process) and Profab (an engineering company for repairs and installations on site).

Saldanha Steel is engaged with various stakeholders in the region to produce synergies, to work together to try to remove local constraints and to unlock the region's potential. Currently, the enterprise is part of a new initiative in which industry and various tiers of government work together to remove barriers that hinder progress and economic growth in the region. ArcelorMittal South Africa has been under political pressure to provide steel at a heavily-discounted price for infrastructure development in South Africa. ArcelorMittal South Africa is optimistic about an end to the tough trading conditions on infrastructure development projects, both locally and across the continent. South Africa's construction industry remains subdued despite recent signs of revival. The construction sector is the country's largest user of steel, and recovery is dependent on the government implementing its R4-trillion infrastructure investment plan (Department of Trade and Industry (DTI), 2013). The demand for iron ore is not only driven by domestic consumption but also by international steel production which is currently experiencing an excess of steel-making capacity (Ernst & Young, 2014). The sector is under strain from the pressures caused by several years of excess steel-making capacity and resultant low margins.

#### **4.5.5 Contribution to the regional economy**

Locally, Saldanha Steel is the largest consumer of water and tax payer (R16.5 million per annum) in the Saldanha Bay municipality. As for social responsibility, the ArcelorMittal Saldanha Science Centre has been operational for three years and provides extra-curricular support in mathematics, science, English and life sciences to learners from 18 local primary schools and five high schools. During 2011, the ArcelorMittal South Africa foundation spent R3.2 million on the operational costs of the local Science Centre (ArcelorMittal Saldanha Works', 2011).

It is evident that the enterprise is an important economic player in the West Coast District and provincial economies as a large employer, a contributor to the gross domestic product (GDP) of approximately R5 billion per annum and a significant client of Electricity Supply Commission (ESC, SA) with an electricity bill of R750 million in 2012. Table 4.4 captures the contribution of Saldanha Steel to the economy of the Western Cape province.



Table 4.4 Saldanha Steel's contribution to the Western Cape economy

Type of contribution	Impact per annum
Permanent jobs	542
Contractors on site	689
Foreign revenue generated by hot-rolled coil exports	US\$511 million (R3.7 billion)
Eskom's income from Saldanha Steel	R750 million (2012)
West Coast business spending (small business contractors)	R175 million
Western Cape business spending	R 786 million
Spending in other regions (rail and road transport; spares, excluding mining of raw materials)	R1.613 billion
Total turnover of Saldanha Steel as contribution to gross domestic product	R5.023 billion
Local municipal income (water and taxes)	R16.5 million
Tax paid to South African Revenue Service (salaries and vendors)	R122 million
Value added tax generated by Saldanha Steel	R347 million
Estimated contribution to income and economic activity in the Greater Saldanha Bay region (salaries and spending)	R340 million

Source: Saldanha Steel (2016)

The biological concept of symbiosis means living together. A more nuanced interpretation of symbiotic interrelationships involves mutualism (both entities involved benefit from the relationship), commensalism (one entity benefits and the other is not affected), and parasitism (one entity benefits and the other is harmed in the relationship) (Wilkinson, 2001). These symbiotic relationships with institutions (formal and informal) at various levels (local, provincial and national) are explored in the next section.

## 4.6 DISCUSSION AND CONCLUSIONS

Institutions are crucial components of any society as the “decisions made by institutions and the actions they take reverberate throughout society” (Afrin, 2013: 1). Communities largely depend on institutions for the provision of jobs, investment, goods and services produced, and development of new technologies. In return, institutions depend on support and resources from society. Accordingly, business and society are deeply and dynamically interdependent and interconnected. An institution such as Saldanha Steel has exerted an extraordinary influence on the civic, economic and cultural life of the GSB region. Although the firm has contributed to local wealth, concomitantly it has had negative impacts on certain segments of the economy and civil society. Mutualistic relationships are not stable at all points in the evolution (or development process) of a firm and can be disrupted by conflicts of interest among the partners and the community as a whole.



At Saldanha Steel there is evidence that a strong commodity supply chain exists that benefits both the direct backward and forward linkages between different sectors in the GSB regional economy. The existence or survival of most industrial institutions strongly relies on sustainable network relationships along the production chain. The more production units are integrated through a web of industrial linkages, the greater the chance that benefits will spill over into the overall system of the regional development process (Yeung, 2000). The rising contribution (job creation and percentage share in the GDP) of the secondary sector to the regional economy, including opportunities for small entrepreneurs, increasing reinvestment in new infrastructure and superstructure development since 1998, the forward and backward linkages associated with Saldanha Steel and the SBIDZ all serve as catalysts for further development in the GSB region and for enhancing a mutualistic relationship.

Since 1974 the construction of the Sishen-Saldanha railway line has created high expectations of potential job seekers and triggered migration into to the GSB region. This has resulted in a gradual regression to economic parasitism in the region. The establishment of Saldanha Steel in 1998 attracted large numbers of people into the GSB region with expectations of securing jobs in the steel industry. During the construction phase of the plant (pre-1998) Saldanha Steel employed more than 3 000 people; once construction was completed, however, only 750 remained in service. An influx of unskilled migrants occurred to the GSB region from the Eastern Cape province. According to 2011 census data Saldanha town experienced a dramatic increase in population from 16 820 in 1996 to 28 850 (42% increase) in 2011. The number of households in informal dwellings increased from 16% in 1996 to 25% by 2011 and proportion of unemployed rose from 15% to 25% over the inter-censal period (StatsSA, 2011a). With 90 % of households in the GSB region living on R38 400 or less per year (which represents low incomes), the majority of the households are unable or barely able to meet basic needs. Most are reliant on government grants (child-support grant, old-age pension, disability grant) and/or indigent household grants (free basic services) from municipalities for household survival. Overall, there is only a small middle class (less than 10% of the households) and 0.45 % of households which would be categorised as affluent (Wesgro, 2011).

This case study underlines the importance of strong (sufficient) local capabilities and relatedness as drivers of regional diversification. Also vital in the successful evolution of institutions in Saldanha town is the attraction of new firms through the collaboration of local agents as well as non-local agents. The establishment and development of these network linkages (multi-scalar perspective) will foster regional diversification.

A commensalism relationship is difficult to demonstrate between Saldanha Steel and the GSB region. The thriving property market in the Saldanha town can be linked to the presence of Saldanha Steel and prospects of the SBIDZ. Since the establishment of Saldanha Steel in 1998, however, there has been an increased demand for rental accommodation which has spurred the building of apartment blocks in central areas of Saldanha town. According to one local property specialist, particular segments related to the industrial sector are experiencing a growth in demand. This trend reflects the market pattern since Saldanha Steel came to the region with a knock-on impact on business activity occurring 12 months later. Rents of R3500 to R4500 per month are charged for two- and three-bedroom houses with single garages on plots as small as 120 m<sup>2</sup> (*Business Day*, 2013). In addition, there is also a rising demand for new upmarket residential properties away from the industrial developments in the GSB region and situated in aesthetically more pleasing surrounds. This sector of the property market is associated with upmarket housing developments along the coastline at Jacobsbaai and Langebaan (Smith, 2013).

In the final analysis, one of the distinctive features of the regional economy is its dependence on a large steel plant that is primarily export-based and operating in a global market with an excess in steel capacity as well as a fishing industry that is suffering from dwindling fish stocks. It is crucial that the regional economic base be diversified and alternative economic activities promoted which are less dependent on external factors or economic fluctuations. This analysis has revealed the symbiotic relationships between Saldanha Steel and the GSB region. Mutualistic relationships should be increased and the authorities should support the establishment of broader interfirm linkages. Further, it is argued that local authorities and developers must find a balance between the promotion of industrial growth (space-neutral approaches) on the one hand and preservation of other opportunities and potential for tourism development (place-based approaches) on the other.

In the following chapter, the analysis of the co-evolution of Saldanha (town and hinterland) and its harbour is presented.

## CHAPTER 5 CO-EVOLUTION OF SALDANHA (TOWN AND HINTERLAND) AND ITS HARBOUR

### 5.1 INTRODUCTION

Saldanha Port is located 110 km north-west of Cape Town. The port is one of the best natural harbours on the south-western coastline of the African continent. Historically, the establishment of Saldanha town and the development of the Greater Saldanha Bay (GSB) region were linked to the port and its functions. In July 2014 the South African government launched the Operation Phakisa strategy to unlock the economic potential of South Africa's oceans – stylised as the 'blue economy'<sup>18</sup> – with Saldanha Port as part of the strategic plan to create jobs and alleviate poverty in the GSB region. The present state of development in the GSB region reflects strong historical and government-led influences. This chapter examines the role Saldanha Bay Port has played in the development of Saldanha town, the transport network in the region, as well as the ongoing evolution and development (socio-economic transformation) of its surrounding towns<sup>19</sup>. First (Section 5.2), an overview is presented of appropriate literature on evolutionary economic geography (EEG) and on the role of port cities in regional development. Second (Section 5.3), the Operation Phakisa strategy for unlocking the economic potential of South Africa's ocean areas and harbours is introduced. Third (Section 5.4), a case study is reported of the co-evolution of Saldanha Port and Saldanha town. Finally, conclusions are drawn on port-town and port-region relationships and some suggestions are made for research.

Each port serves and competes for a share of the traffic generated in its own hinterland and in the broader market area comprising the port with other ports and their hinterlands throughout the world with which it is connected (Dunford & Yeung, 2009). While ports around the world have been differentially affected by globalisation, the rise of containerisation has significantly impacted on the role and place of ports as well as activities performed within them (Lee, Song & Ducruet, 2008). These have produced a scenario in which seaport gateways are becoming increasingly disconnected infrastructurally, economically and institutionally from the city regions that host them (Hall, 2007). Modern port developments have created remarkable changes in service infrastructure.

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<sup>18</sup> The blue economy (ocean or maritime economy) is defined as “economic and trade activities that integrate the conservation and sustainable use and management of biodiversity, including maritime ecosystems and genetic resources” (United Nations Conference on Trade and Development (UNCTAD), 2014: 2).

<sup>19</sup> This chapter was published in article format (Welman & Ferreira, 2016).

Throughout history, the economic dynamism of many cities has been linked to their ports which play vital roles as nodes of employment and commercial interaction with broader global market processes. The movement of goods through ports creates employment at the local and regional levels with direct economic impacts being experienced on local economies (Hoyle, 1989; Fujita & Mori, 1996; Siegesmund et al., 2008). Ports occupy valuable space near other urban activities – they are a source of economic opportunities, but they can also be sources of conflict (Daamen, 2007; Abdullah, Ahmad & Noor, 2012). These disconnections and changes raise a variety of dilemmas for host localities, their communities and civic administrations.

Saldanha Port is an industrial and bulk-cargo handler. Saldanha town has a relatively strong manufacturing sector and it is a well-known harbour town. The regional economy is based on steel manufacturing, fishing, tourism and harbour-related industries. In 1976 the port was extended and deepened to accommodate larger ships. During the 1980s, the completion of a multi-purpose cargo terminal enabled oil imports and the export of high-value iron-ore, lead and copper. In 2011 the GSB region was listed as a presidential priority development region (National Planning Commission, 2011) and in 2013, it was officially declared an industrial development zone (IDZ) (The Presidency, 2012). The Saldanha Bay industrial development zone (SBIDZ) is strategically positioned to serve the envisaged oil-and-gas service centre on the South African west coast and, more broadly, west coast of the African continent (Jacka, 2015). The establishment of Saldanha town and the development of its surrounding towns have always been linked to the evolution of the port's functions and capacity.

For more than a century the development of Saldanha Port and the Greater Saldanha Bay region was considered regionally significant (Zwemmer & Van't Hoff, 1983) but despite a number of plans, policy mechanisms and financial incentives having been initiated over the last three decades, the anticipated growth of the Saldanha town and the Greater Saldanha Bay region has not materialised to the degree anticipated (Bek, Binns & Nel, 2004; Saldanha Bay Municipality, 2009). The present state of development in the GSB region reflects strong historical and government-led influences. South African's state-owned enterprises are indispensable to the successful functioning of businesses and industries that drive the economy. They dominate three key inputs – electricity, transportation and telecommunications – that play central roles in reducing spatial inequalities (DCGTA, 2016). Without the presence of these state-owned enterprises, other subsectors such as tourism and the retailing could not function effectively.

The next section examines the EEG approach to gain an understanding of the role that a port can play in the development of its surrounding towns. The EEG approach assists in explaining the spatial evolution of firms, industries, networks, cities and regions (Boschma & Lambooy, 1999; Boschma & Frenken, 2006).

## **5.2 EVOLUTIONARY ECONOMIC GEOGRAPHY: THE CO-EVOLUTION OF CITIES AND PORTS, AND REGIONAL DEVELOPMENT**

EEG views economies as evolutionary processes unfolding in space and time. It focuses on the path-dependent dynamics underlying uneven development in space (Martin & Sunley, 2006; 2011). This approach has contributed significantly to the enrichment of economic geography, adding new perspectives to the long-term process of structural change over space and in time (Jovanovic, 2009; Brouder, 2014). EEG studies the origin, changes, direction and speed in the spatial distribution and organisation of production, as well as consumption, over time. It analyses the dynamic changes in the economic landscape.

The gateway functions of port cities are different to those of central places, the latter mainly serving the 'land around' their cities (Bird, 1980). Vallega (1983) has interpreted port development and regional development as two distinct processes with episodic and indirect interactions. Ports are embedded not only in transport and supply chains, but also in associated urban economies and industrial areas that are governed by different forces and regulations than those acting on transport businesses, namely urban governance, regional, national planning and industrial policies seeking to levy rents from footloose activities (Markusen, 1996). Hall (2002) has characterised the three different roles of a port as infrastructure, cargo and trade hub. The impact a port will have on its hinterland is dependent on the role(s) it plays. Ducruet & Lee (2006) reviewed the complementary and contradictory roles of ports in the evolution of port cities and their hinterlands. They questioned models that considered the functional and spatial separation between the city and its port as an ineluctable process (Ducruet & Lee, 2006). According to them port-city evolution is gradual rather than linear or chaotic and, in many cases, largely influenced by regional factors and local strategies.

Technological changes, the move away from conventional shipping and cargo handling to container ships, as well as the rise of hub ports in the 1990s have dramatically altered the traditional and symbiotic port-city relationships (Ducruet & Lee, 2006; Hall, 2007). As the local and regional economic linkages embodied in the goods shipped through ports have been loosened, questions about the changing nature of employment in ports and port-related sectors have become salient (Jaffe, 2010). The economic activities associated with ports comprise several groups. One group includes cargo and passenger handling and storage and distribution

activities located in ports and in their city centres. A second group comprises a set of processing industries taking advantage of the intermodal, trans-shipment and break-of-bulk functions of ports. A third group of industries located in the port-industrial complexes are those whose inputs comprise bulk commodities imported through the port (Dunford & Yeung, 2011). Saldanha Port fits into the last two categories. Concomitant with the trans-shipment and break-of-bulk functions (crude oil and iron ore) and the associated activities in the industrial areas adjacent to this port are negative externalities (noise, pollution and visual blight) that can deter further economic diversification and development.

In many developed countries the public sector has redefined its role in ports through privatisation and corporatisation schemes (Notteboom & Rodrigue, 2000). The role of ports is being altered by multimodal transport networks, less labour-intensive equipment, service specialisation and the concentration of economic wealth which generally fosters increases in traffic (Dunford & Yeung, 2011). According to Ducruet (2009), views on ports and regional development can be grouped broadly into optimistic and pessimistic categories. The optimistic view focuses on the role of seaports as engines of local and regional economic growth (Fujita, Krugman & Venables, 1999). The pessimists view ports – more passively – as simply responding to demand through the physical transfer of freight flows (Stern & Hayuth, 1984; Fujita & Mori, 1996). The latter view fuels the academic discourse on whether infrastructure fosters or follows development (Rietveld, 1989; Ducruet, 2009) and the point structuralist geographers make that ports link local economies to the global economy with both positive or negative consequences (Jacobs, 2007). Ferrari, Percoco & Tedeschi (2010: 10), describe the relationship between ports and hinterlands as a “frayed one” but admit that “the volume of port throughput can have a positive influence on local development.” Tiesnese (2012) laments that the current pressure on the world’s ports to increase their capacity through more efficient and less labour-intensive equipment has reduced the positive impacts ports usually had on their local settlements. He adds that in most cases the bond between port and town or city “has become considerably weaker, witnessing a deterioration of the symbiosis between port and its city” (Tiesnese, 2012: 2). The above descriptions of the tenets of the EEG, the co-evolution of cities and ports and regional economies give a broad overview port-cities evolution. The next section considers port-industrial complexes and the importance of Operation Phakisa to the GSB region.

### **5.3 PORT-INDUSTRIAL COMPLEXES**

The development of port-industrial complexes was an essential feature of economically advanced and rapidly industrialising economies in the 1960s and 1970s (Dunford & Yeung, 2011). Maritime industrial development

areas (MIDAs) resulted from an integration of developments in industries producing intermediate goods, such as steel and chemicals, and a restructuring of maritime transport and seaport systems on the one hand, and state strategies supporting national champions and (often) for the development of economically disadvantaged areas, on the other (The Presidency, 2011). The degree of diversification and long-term employment creation was often limited in these MIDAs, some zones remaining largely mono-industrial. Forty years later following the discovery of oil and gas on the Namibian and Angolan coastlines the South African government has recognised the economic potential of its ocean areas (or blue economy) and that the country's major ports can be tapped to support regional development through similar industrial development interventions. South Africa is ideally positioned to serve the East-and-West Africa's coastal cargo traffic and the booming African offshore oil-and-gas industry.

Operation Phakisa's aim to exploit and stimulate the country's blue economy involves the priority sectors marine transport and manufacturing activities (coastal shipping, trans-shipment, boat building, repair and refurbishment); offshore oil-and-gas exploration; aquaculture and marine protection services; and ocean governance (Jacka, 2015; Van Wyk, 2015). Operation Phakisa identified the need for a new coordinated sectoral management system that integrate the ocean governance including management plans for ocean areas, environmental variables, conflict scenarios and trade-offs. Central to these coordinated ocean governance is the identification and management of interdependencies between socio-economic aspirations and environmental integrity (Operation Phakisa, 2014). According to Roux (2015, Pers com) 120 oil rigs are towed past South Africa's coast every year and this opportunity to capture this market is lost, other ports in the southern hemisphere will gear themselves to do so (SouthAfrica.info, 2015).

Saldanha Port is a focal point in an operation with a R9.65 billion investment in infrastructure projects aimed at enhancing the deep-water port's ability to service the offshore oil-and-gas industry (SouthAfrica.info, 2015). Two specific projects have been listed and endorsed for Saldanha Bay Port. First, construction of Berth 205, a deep-water berth to accommodate semi-submersible rigs and large drill ships; and second, the erection of a jetty to enable new building facilities and to accommodate structures such as a floating dock or heavy lift to allow maintenance and repairs. The project is planned for completion by January 2018. The strategy will result in specialised infrastructure development as well as job creation. During the construction phase 760 jobs will be created and eventually some 3400 permanent direct jobs and 13 200 indirect jobs when the new infrastructure is established (Roux 2015, Pers com). The development of port industries plays a vital role in the establishment and the sustaining of port-town relationships and hinterland connections. These topics are examined in the



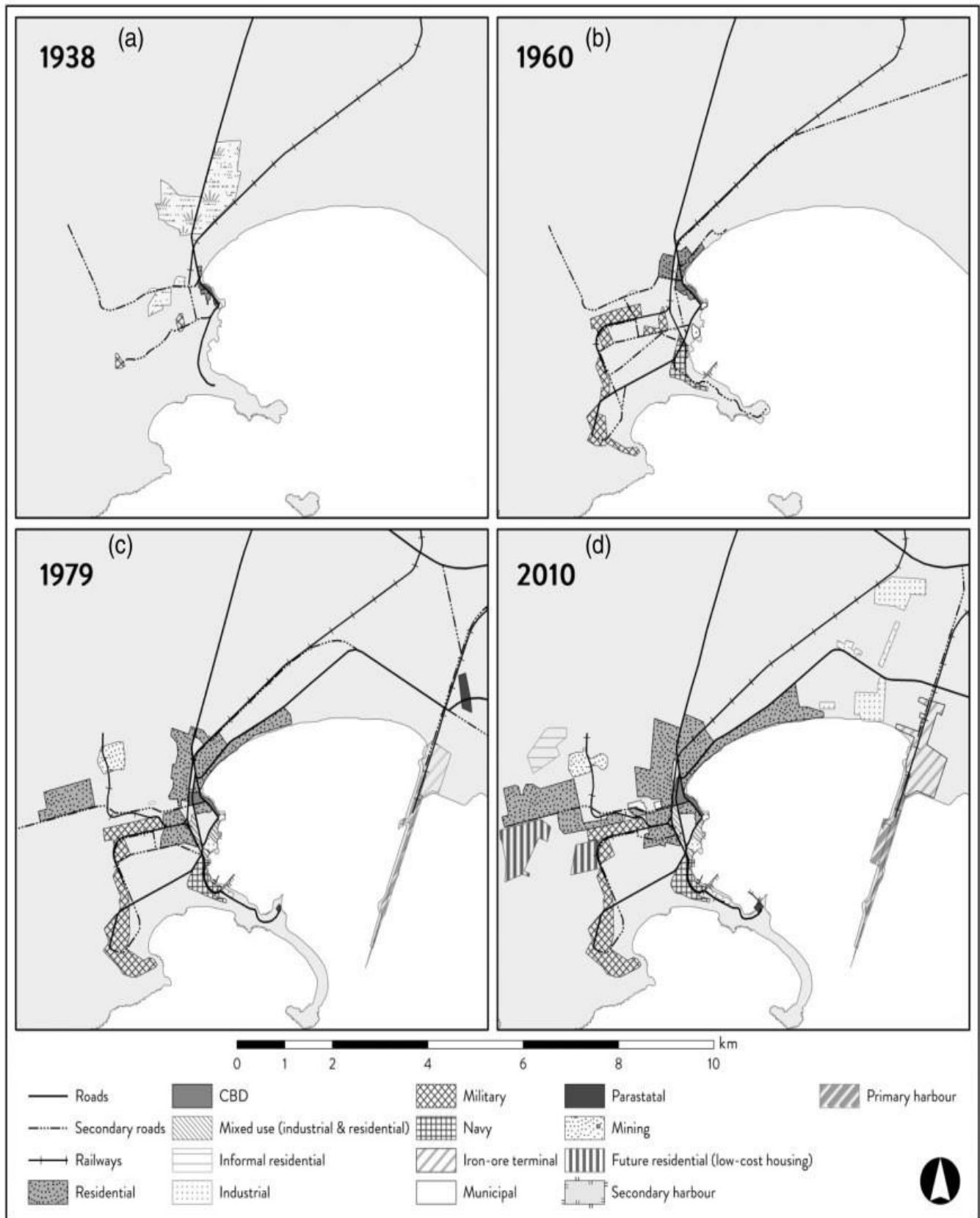
following subsections. Subsection 5.3.1 investigates the spatial evolution of Saldanha Port, Saldanha town and the regional transport network; Subsection 5.3.2 describes and explains the employment, job-seeker and the socio-economic contexts of the GSB region; and Subsection 5.3.3 explores the cooperation between the port and the town.

### **5.3.1 Spatial evolution of Saldanha Bay Port, Saldanha town and the regional transport network**

Economic and political factors have always played important roles in the genesis and development of the Saldanha Port, the establishment of the urban settlement and the transport network of the GSB region. Pre-1938, the harbour development consisted of small fishing and military quays adjacent to the Saldanha town centre (Van der Waag, 2005). The spatial evolution of the port, town and transport networks in the surrounding towns of Saldanha since 1938 is shown in Figure 5.1a-d. The mapping of the spatial and functional evolution was done by abstracting features (nodes, networks and developed spaces) to create four snapshots of the study area over the last 72 years. Figure 5.1(a) reveals a small human settlement in 1938 and limited road system servicing the local economy based on dry-land agriculture and commercial fishing. By 1942 the military activities at Saldanha town had expanded and the town's meagre water supplies led to the Union Defence Force assisting in the construction of the Berg River-Saldanha water pipeline during 1942 and 1943 (Visser & Monama, 2008). After the Second World War Saldanha town experienced an increase in population numbers and the construction of many new houses (Visser & Monama, 2008). The "value of existing residential property has increased three-fold and plots fetched up to ten times their pre-war prices" in the mid 1950s (Silverman, 1956: 81). The built-up areas were concentrated close to the Saldanha Bay Canning plant.

The availability of fresh water stimulated the expansion of the fish-processing plants, the establishment of small-business activities in the central business district (CBD) and the reopening of Donkergat Whaling Station (1947) with its lucrative whale-oil business in the post-war era. By 1960 (Figure 5.1(b)) the presence of the South African military had expanded, more secondary roads had been added and a railway line had connected certain institutions (Saldanha Naval Gymnasium and Military Academy) with quays scattered along the bay's coastline. The expansion of the railway network to the port set the scene for the establishment of Sea Harvest Fishing concern in Saldanha in 1964.





Source: Compiled by the author

Figure 5.1 Co-evolution of Saldana town and its port, 1938 to 2010

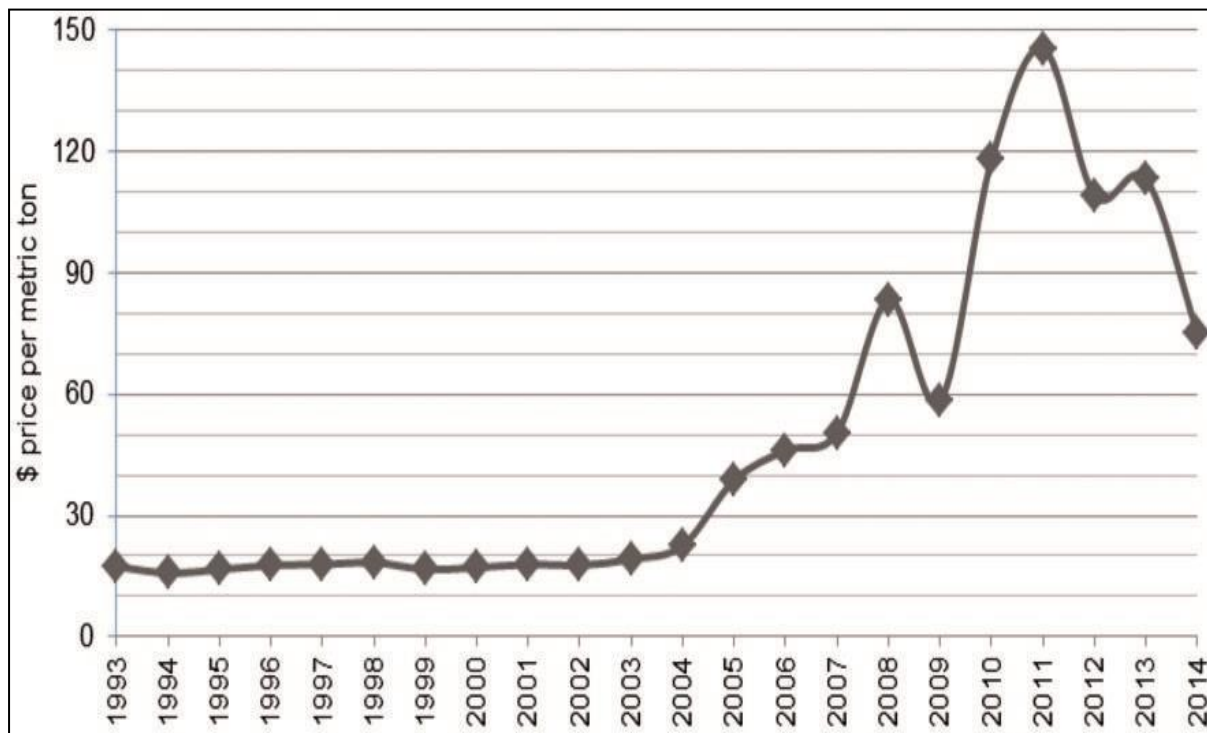
Developments since 1973 laid the foundation for industrial development in the region but also created industrial-path dependence. By 1979 (Figure 5.1(c)) the town and port had expanded spatially. Residential areas had been added and the industrial port infrastructure had been augmented by a general cargo quay, causeway and floating oil jetties. Figure 5.1(d) illustrates the expanded physical spaces of the port and town developments in 2010. Informal settlement areas had appeared for the first time and the back-of-port industrial developments have become more prominent. Further highlights in the development of the infrastructural base of the GSB region (Table 5.1) were the three-kilometre long artificial breakwater linking Marcus Island to the mainland (1973); the Sishen-Saldanha railway line (1974) (which links the port to iron-ore mines 1000 km inland); and the extension and deepening of the port (1976). In 2012 part of the region was proclaimed as an IDZ, a new spatial intervention launched by the South African government (Nel & Rogerson, 2013; 2014).

Table 5.1 Major infrastructural and industrial developments in the Greater Saldanha Bay region since 1973

Date	Type of infrastructure and firms established
1973	3-km artificial breakwater linking Marcus Island to the mainland
1974	Sishen-Saldanha railway line
1974-1976	Iron-ore jetty
1975-1976	Oil jetty (facilities for handling oil imports)
1976	Extension and deepening of the harbour
1980	Multi-purpose cargo terminal added to iron-ore jetty (facilities for handling high-value lead and copper concentrates)
1994	Tronox (mining and beneficiation of heavy minerals to produce titanium dioxide feedstock) – previously known as Namakwa Sands
1997-1998	Extension to multi-purpose terminal
1998	Saldanha Steel (ArcelorMittal, steel coils)
1999	Duferco (refurbishing of steel coils)
2014	Industrial Development Zone
2015-2016	Oil-and-gas service centre

Source: Author's compilation

Although the GSB region and especially Saldanha town has been on the national development agenda since the early 1970s, an inevitable question arises: How have these expansions of port infrastructure benefited the Greater Saldanha Bay community? Since 1976, the Saldanha Port has been heavily dependent on the export of bulk cargo, especially iron ore. The declining price of iron ore since 2011 to 2014 (Figure 5.2) may have detrimental effects on the local economy at that time and in the future.



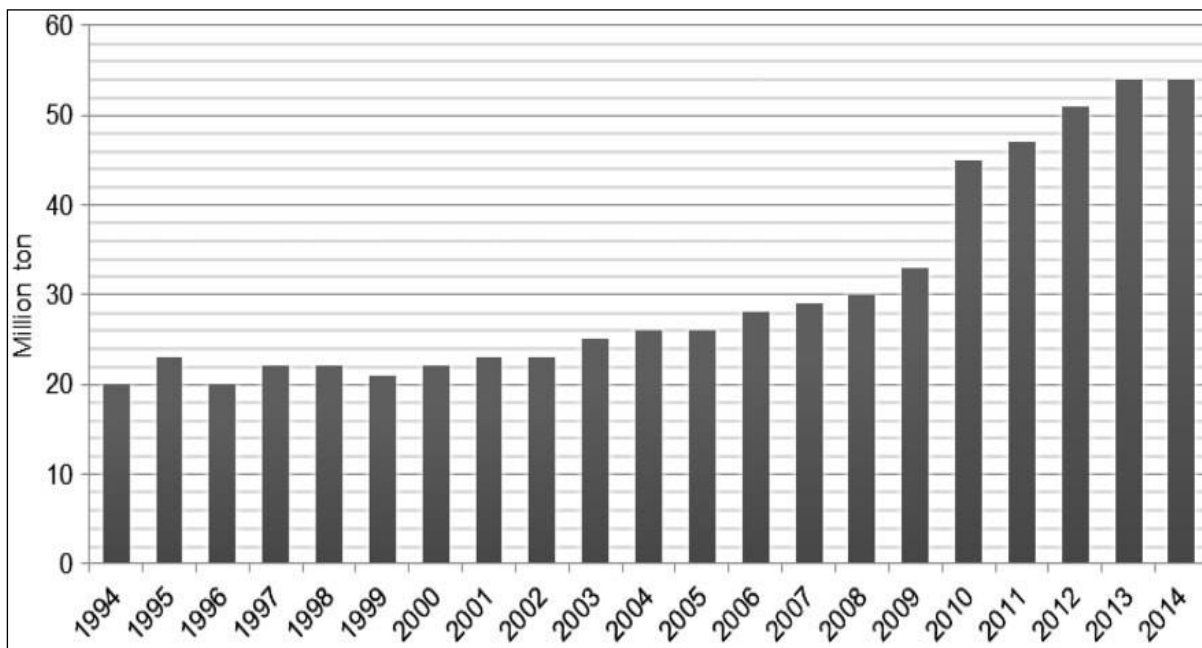
Source: Transnet National Ports Authority (2014)

Figure 5.2 Iron-ore price, 1993 to 2014

By 2014, the port comprised an iron-ore export terminal, an oil terminal for imports of crude oil and a multi-purpose terminal dedicated to handling various minerals and imported commodities (Transnet National Ports Authority, 2014). The port also accounts for imports of about 4 million metric tons of crude oil per annum (Transnet, 2013). In order to become more globally competitive – the Saldanha Port need to diversify its current export economic resource base through the exporting of more manufactured products. The next subsection elaborates on employment, job-seekers and the socio-economic contexts of the Greater Saldanha Bay region.

### 5.3.2 Employment, job-seekers and socio-economic contexts of the Greater Saldanha Bay region

In 1994 Transnet Port Terminal (TPT) at Saldanha Bay Port employed 200 permanent staff members and by 2014 the number had trebled to 600. This expansion in job numbers can be directly linked to the diversification of infrastructure in the harbour and to substantial increases in the volumes of bulk and break-of-bulk cargo. Since 1976, the Saldanha Port has been heavily dependent on the export of bulk cargo, especially iron ore. Figure 5.3 charts the 20-year growth in the port's volume of cargo from 20 million metric tons (1994) to 54 million metric tons (2014)



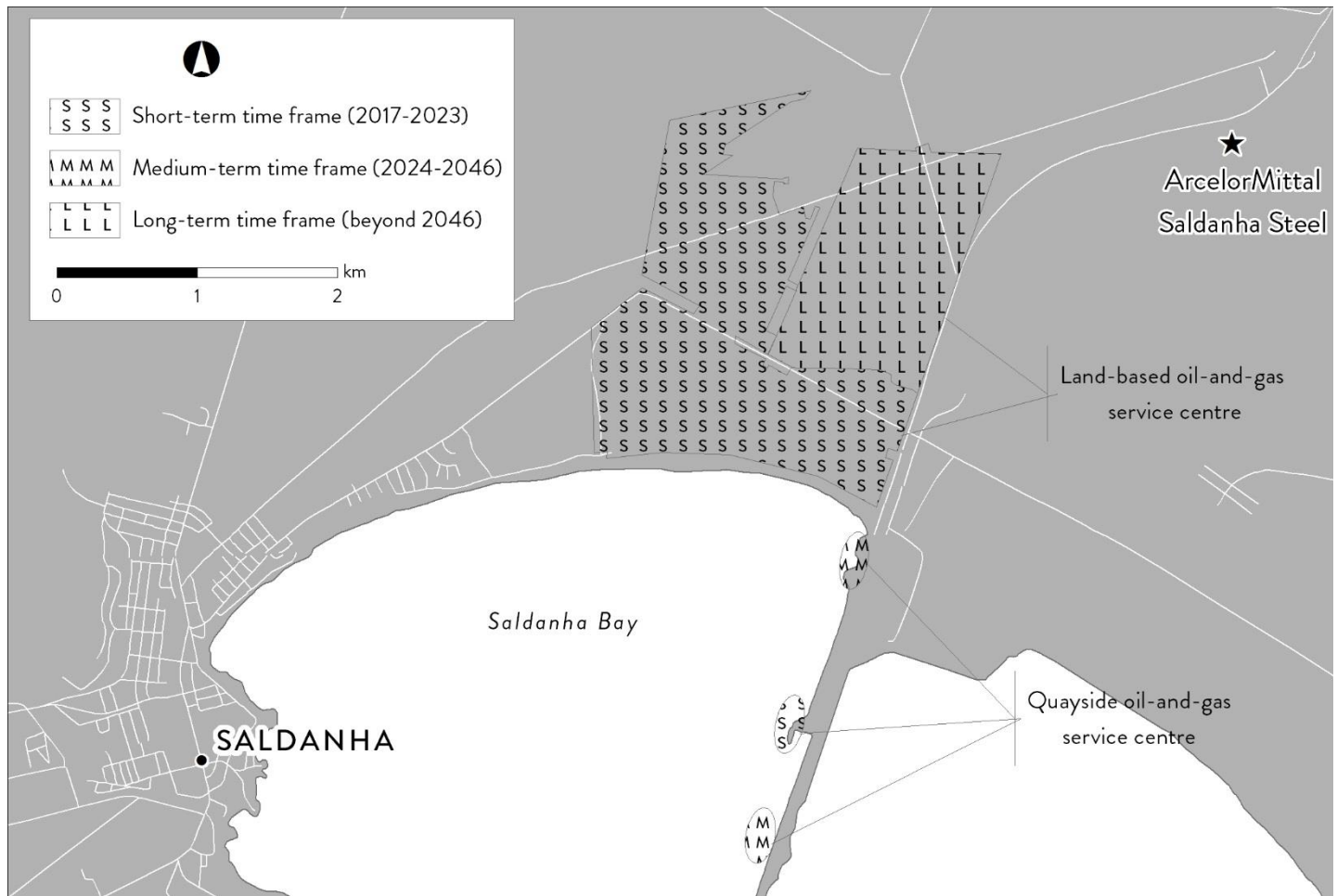
Source: Transnet National Ports Authority (2014)

Figure 5.3 Exports of iron ore from the Transnet Port Terminal, 1994 to 2014

Since the early 1970s the industrial port's specialised infrastructure has been augmented, the port's surface area has been extended and the volume of cargo handled has grown substantially. Unfortunately, all this port-related proliferation has done little to positively affect the socio-economic transformation of the various Saldanha communities. Moreover, the presence of the port and its associated industrial activities has impacted negatively on the state of the natural environment in and around the actual bay (Clark et al., 2013/2014). This environmental issue is beyond the scope of this chapter.

The proposed provision of a third iron-ore loading facility and associated infrastructure in Saldanha Port will increase the capacity to export iron ore from 60 to 90 million metric tons per year, re-emphasising the port's dependence on the export of primary commodities. Figure 5.4 illustrates the location of the IDZ, its major industrial institutions and the proposed port developments to serve as infrastructure for the proposed land-based oil-and-gas service centre. To unravel the local socio-economic context, it is necessary to retrace the flow of workers to the GSB region since the 1970s. Between 1970 and 1980, following the earmarking of the GSB region as an industrial development node and the construction of the Sishen-Saldanha railway line, the population in the Vredenburg magisterial district<sup>20</sup> nearly doubled.

<sup>20</sup> In the 1970s the Saldanha town was part of the Vredenburg magisterial district.



Source: Author

Figure 5.4 Saldanha town, the time frame of the proposed industrial development zone (short-, medium-, and long-term) oil-and-gas service centre

This increase in population reflects the perceived attraction of industrialisation in the Vredenburg-Saldanha region in the 1970s and represented a first wave of jobseekers to the region. With the construction of Saldanha Steel (pre-1998), a second wave occurred where people arrived with the hope of finding jobs in the steel industry. During this phase Saldanha Steel employed more than 3000 people but once construction was completed only 750 remained in service. According to Gilbert & Lambert (2010) influxes of migrants normally bring new human resources, competences and demand but this was not the case with many unskilled job-seekers arriving in the GSB region from the rural Eastern Cape (Driver, Platzky & Shapiro, 1993). Latterly, Saldanha town has experienced a dramatic increase in population and related numbers – (a 42% growth of population from 16 820 in 1996 to 28 850 in 2011); growth from 16% in 1996 to 25% in 2011 of the proportion of households living in informal dwellings. These surges occurred without the concomitant growth in the number

of available jobs so causing an escalation in the number of households qualifying for the provision of indigent services. The overall dependency levels of the community consequently increased. With 90% of households in the GSB region living on R38 400 or less (approximately 2000) per annum (low-income category), the majority of inhabitants are unable or barely able to meet their basic needs and a large proportion is reliant on government grants (child-support grant, old-age pension, disability grant) and/or indigent household grants with the municipality providing free basic services. The total number of indigent households in the GSB region almost doubled from 3870 in July 2007 to 7580 in March 2015 (an increase of 49%). Saldanha town's indigent households (2190) represent 29% of the total number of indigent households in the GSB region. It is noteworthy that there is only a small middle class (less than 10% of the households) and less than one per cent (0.45% of households) belongs to the affluent socio-economic group (Wesgro, 2011). The unprecedented increase in job seekers and associated poverty, and service delivery put immense pressure on the income stream of the Saldanha Bay municipality (SBM). Greater cooperation between economic players and the local authority is needed to create a platform for driving regional development collectively. The next subsection describes the cooperation between the port and town.

### **5.3.3 Cooperation between the port and town**

The port authorities (Transnet) and Saldanha Bay Municipality (SBM) have a memorandum of understanding (MOU) to act according to the principles of cooperative governance and intergovernmental relations. A management and projects committee is chaired jointly by the Port Manager and the Municipal Manager. This committee meets four times a year. According to a senior manager of SBM the relationship with the Saldanha division of Transnet National Ports Authority (TNPA) is confronted by hierarchical decision-making structures in which the national headquarters has the final say. “Sometimes we reached agreement in our ‘backyard’ but after three months we hear that our consensus decisions were declined by the Transnet National Ports Authority” (Joubert 2015, Pers com). This causes a disconnection between these two major institutions. A further stumbling block in building ‘institutional thickness’<sup>21</sup> between these institutions is the low level of discussion, the lack of trust and the lack of real transparency regarding TNPA’s short-, medium- and long-term plans for Saldanha Port. Regarding Operation Phakisa, SMB’s strategic manager was asked if the municipality was ready to cater for a third wave of migrants to Saldanha and to provide services for all the job-seekers to the envisaged oil-and-gas service centre. His response was: “We cannot plan for the unprecedented rush of

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<sup>21</sup> The institutional thickness of places can be described as the relative richness or poverty of institutional structures that support economic activity and growth (Beer & Lester, 2015).



unskilled migrants to Saldanha and a lack of reliable data prohibited proper planning’’ (Joubert 2015, Pers com). Transnet’s representative, Roux (2015, Pers com), considers privatisation to be one of the greatest challenges for Saldanha Port. According to him success implies sharing the risk that development brings with private partners. In this regard Transnet National Port Authority (TNPA) has failed to privatise to any great extent and TNPA has neither done enough to empower the local community by assisting in the development of appropriate skills nor to foster the diversification of the local economy (Roux 2015, Per com).

Both the local municipality and the TNPA acknowledge and accept the backlog in skills development and they support the idea that all the major institutions in the GSB region must collaborate to enhance the development of the Saldanha town and the region. For the latter to be realised it is essential that there is political stability in the SBM, “We must prevent the stop-start strategy whereby the change in staff in the SBM – as the result of a new political party controlling the municipality – will dampen future development” (Roux 2015, Pers com). The port has the potential to accelerate growth and development in the local economy but the empty promises of the past are of great concern to Transnet. Other disturbing factors are the slow pace of development in the back-of-port area and the worldwide drop in the price of iron<sup>22</sup>. Roux (2015, Pers com) has emphasised that Saldanha Port belongs to the local community and it is of “paramount importance of how we will deal with the issue of port diversification to contribute more positively to the development of our communities.” He also believes that an attractive prospect is a two-port economy, with Cape Town and Saldanha working together (Roux 2015, Pers com).

## 5.4 CONCLUSIONS AND RECOMMENDATIONS

This chapter has examined the co-evolution of the port, the town and the GSB region since 1938. The port-city evolution of Saldanha has been gradual and largely influenced by regional factors and national strategies. Port development has responded to certain national decision-making processes and the infrastructure has adjusted to changes in the local, regional and global contexts. All these changes have impacted the port-city interface as well as the GSB region. Using Hall’s (2002) view of the three different roles of a port – infrastructure, cargo, trade hub – one sees Saldanha Port as a concentration of infrastructure purposely assembled to export iron ore and to import oil and gas. The traffic types and services rendered by Saldanha Port do not necessarily have positive effects on further port and regional performance, although the linkages with the proposed adjacent IDZ have potential in this regard. Few formal and informal linkages between port activity and other local economic

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<sup>22</sup> The export price of iron ore in May 2015 was US \$60 per ton (28% lower than in January 2015).

activities exist. Policymakers have not taken into account the links with local industries. Saldanha Bay municipality is almost toothless to manipulate such linkages to the benefit of local enterprises. Saldanha Port paid approximately R62 million for the provision of electricity and water, and in taxes to the local municipality in 2014/2015 (Roux 2015, Pers com) – a drop in the ocean – considering the large land (and sea) surface area of 19 300 hectares it occupies at a prime waterfront location. The port does contribute to the economic base of the local economy, but in terms of its size and negative externalities (which are beyond the scope of this paper) the benefits to the local economy are limited. From as early as 2018, the present role of Saldanha Bay Port will be extended to include the only purpose-built oil-and-gas service centre<sup>23</sup> on the west coast of Africa. This said, the reviving of local economies through attracting new cargo flows is hardly a feasible option if policymakers fail to take the links with local industries into account.

This case study has shown that the port and the town have, to certain extent, become disconnected since the establishment of the Saldanha-Sishen railway and the iron-ore jetty (1974 to 1976) and also that most of the port activities have evolved away from the Saldanha's central business district and into the bay – an example of enclave-type development. Although Saldanha Port is functioning well, it is not evident that the port will spontaneously have strong positive impacts on the port-town relationship and hinterland connections. Despite growth in industrialisation, the deepening of the port and the improvement of port infrastructures, the socio-economic context of Saldanha Bay and the GSB region has deteriorated since the mid 1990s. Saldanha town appears to be a passive receiver of both new infrastructure and flows of migrants. Moreover, it is exposed to decisions made in the higher echelons of government without due respect to the local contexts of Saldanha town and its residents. The image of Saldanha town, already tainted by the production of steel and the ever-present red dust of the iron-ore export activities, is destined to become further immersed in its 'industrial' appearance by servicing the oil rigs of Southern Africa's west coast.

The future of the local economy of the GSB lies in the re-establishment of its connection with its port, the envisaged new economic activities linked to the oil-and-gas service centre and the potential establishment of a port-town development authority that will replace the inadequate institutional framework that currently exists. The sole purpose of this authority should not be to resolve conflicts of interest but to work toward the prosperity of the local Saldanha economy. Saldanha town can also take a lesson from how two regional centres Aberdeen

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<sup>23</sup> Construction of the oil-and-gas service centre has commenced in August 2015.



(Scotland) and Stavanger (Norway) have tapped into the development of the offshore oil-and-gas industry of the North Sea oil province (Hatakenaka, Westness & Gjelsvik, 2011). In both these cases a long-term view was taken with emphasis on innovation systems and the career development of their citizens. The role of education, training and development of human capital became a first priority and thinking went beyond the days of oil exploitation. The main actors (public and private) in the GSB region have to work together to build resilience among local community members whose advanced skills will enable them to move to other job opportunities if their current jobs disappear as a result of dwindling fish stocks, overproduction of steel and overexploitation of oil. The managers of Saldanha Port must learn lessons from other world ports (Merk & Comtois, 2012) where extensive external communication strategies were followed to sustain local support for their port functions. Essential elements in this regard are access to and transparency of port information, the provision of annual reports and the flow of the communication about future development plans. There is a need for research on the privatisation of ports in South Africa and the role of ports in the local economies of cities and regions in the South. It is crucial that all state-owned enterprises in Saldanha town need to be aligned with the local spatial development framework (SDF) and municipal plans. On the contrary, SBM needs to develop and establish mechanisms for active engagement with state-owned enterprises and their relevant service providers. Hopefully, the outcome of the present research will assist in finding some solutions for the local port-town dilemmas in the GSB region.

In the following chapter, Sea Harvest's contribution to the local economy is examined.

## **CHAPTER 6 SEA HARVEST: BACK(FISH)BONE IN SALDANHA'S LOCAL AND REGIONAL ECONOMY?**

### **6.1 INTRODUCTION**

The fishing industry is the socio-economic base of coastal towns in the West Coast region of South Africa. The regional development of the GSB region is locked into tight relationship between the Port (oil, gas and iron ore), the local government and two industrial sectors, namely steelmaking and fishing. This chapter examines the role Sea Harvest Corporation has played in the evolution and development (socio-economic transformation)<sup>24</sup> of the GSB region.<sup>25</sup> First, the literature on the roles of institutions in regional development in general and fishing in particular is reviewed. Second, the state of fish resources at global, national and local levels is discussed to provide the wider context. Third, a mixed-method approach is used in a case study of Saldanha Bays' deep-sea trawling industry where the evolution of Sea Harvest as a company in the GSB region and its role in the region's development are treated. Sea Harvest is shown to play an important role in the local and regional economies – where more than 2000 permanent jobs have been sustained over the last 10 years and at least 25% of all households in the GSB region have benefited from involvement with the company. Last, some lessons from this highly specific case study are shared.

More than 25 years ago North (1990) argued that the long-term economic performance of places is shaped by their institutional structure. Institutions are unevenly distributed in the world where they contribute to the performance of regions while also expressing certain local identities (Tomaney, 2014). Geographical regions tend to specialise in particular economic activities and these patterns of specialisation, once in place, tend to be durable (Malmberg & Maskell, 1997).

The local fishing industry has two main constituents – a demersal component (deep-sea trawling for white fish such as hake) and a pelagic section. This chapter concentrates on the demersal (deep-sea) fishing sector's contribution to the Greater Saldanha Bay's regional development. The exploitation of marine resources for employment benefits and livelihoods is important to many people and local economies (Sowman, Hauck & Branch, 2003; FAO, 2009). The expansion of activities in the fishing sector is, however, limited by the natural productive capacity of the resources and their sustainability over the long term (FAO, 2014; DAFF, 2016).

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<sup>24</sup> This chapter was published in article format (Welman & Ferreira, 2017).

<sup>25</sup> The Greater Saldanha Bay region refers to the Saldanha Bay Municipality.

Fisheries around the world are managed with a broad range of institutional structures which include the way in which individuals and/or companies are allowed access to fish resources, the decision-making structure of institutions and the spatial scale of management (Hilborne, Orensanz & Parma, 2005). Some of these have been quite disastrous, whereas others have proven both biological and economically successful (Leiman, 2015).

In South Africa the fisheries sector is worth around R6 billion (approximately US\$400 million) per annum and directly employs some 27 000 people (World Wildlife Fund, 2015). Although the fishing industry is a relatively small contributor to the South African (SA) economy – constituting approximately 3% of the gross domestic product (GDP), when the contribution to the economy is examined at a local level, it becomes evident how important fisheries are to coastal communities, especially its contribution to food security (Petersen et al., 2010; Groenewald, 2015a; DAFF, 2016).

It has been estimated that 70% of the populations of South Africa's commercial fish species have already collapsed (World Wildlife Fund South Africa, 2011) and the only fishery in Africa that conforms to the requirements of the Marine Stewardship Council's (MSC) certification scheme is Cape hake (Marine Stewardship Council (MSC), 2013). Nonetheless, the fishing industry is the socio-economic base of the West Coast region's coastal towns (Driver, Platzky & Shapiro, 1993; DAFF, 2016).

The National Development Plan 2030 (2012) and the integrated development plan of the Saldanha Bay regional municipality (Saldanha Bay Municipality, 2014) both promote infrastructural (industrial port) and heavy industrial (Saldanha Steel) development for the town and its region (Wesgro, 2011). However, for many generations the fishing industry has been part of the everyday life, culture, individual habits, group routines, social norms and values, and identity of the local population<sup>26</sup> of the GSB region (Van Sittert, 2003; Rademeyer, Butterworth & Plagányi, 2008). Unfortunately, the absence of Coloured boat ownership from the early 1800s deprived the local fishermen as well as their immediate households from making a decent living from the sea (Burman & Levin, 1974). After all these years many of the children of Saldanha Bay still believe that their future belongs to the fishing industry and they cannot imagine working in another industry (Secondary school teacher, February 2016, Pers com). Sea Harvest Corporation – one of the two main players in the hake trawling industry – was established in 1964 and dominates the fishing industry in Saldanha town. The company is one of the major local employers (Madoda 2016, Pers com) in a community with an unemployment rate of 28.6% (INCA Portfolio Managers, 2015).

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<sup>26</sup> Since pre-colonial as well as colonial times the West coast area were inhabited by the local 'Strandlopers' (Halkett & Mutti, 2002).

## **6.2 INSTITUTIONS IN FISHERIES MANAGEMENT AND REGIONAL DEVELOPMENT**

This section is divided into three subsections. Subsection 6.2.1 defines institutions in a regional-development context; Subsection 6.2.2 describes the international fishery institutions and fishery management in South Africa; and Subsection 6.2.3 discusses hake deep-sea trawling in South Africa.

### **6.2.1 Defining institutions in a regional-development context**

The impact of institutions on regional or place-based development has long been recognised as an important shaper of the growth trajectories of regions (or places) (North, 1990; Amin & Thrift, 1995; Morgan, 2007; Rodríguez-Pose & Garcilazo, 2013). An institution can take a variety of forms and according to Amin (1999) rules, laws and organisations (property laws, government structures) can be regarded as formal institutions (or hard institutions), whereas individual habits, group routines, social norms and values are informal or tacit institutions (or soft institutions). Scott (1995: 33) has explained that “Institutions consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behaviour. Institutions are transported by various carriers – cultures, structures, and routines – and they operate at multiple levels of jurisdiction.” The functioning of certain institutions (policies, traditions, habits) generate place-specific forms of trust between economic actors, reduce transaction costs, provide collective goods, foster transparency and promote entrepreneurship (Rodríguez-Pose & Garcilazo, 2013). Some scholars have pointed to the importance of multiple layers of institutional and associational activity, sometimes referred to as ‘untraded interdependencies’ – assets which are not tradable, nor are they easily substitutable, since they draw on the social properties of networks in which the economic actors are implicated (Amin 1999; Bek, Binns & Nel, 2004). Institutions also reflect cultural underpinnings.

There has been considerable change in the past 20 years regarding the governance of natural resources, the way institutions view those resources and the diversity of these arrangements (Ostrom, 1990, 2011). The nested systems (Ostrom, 2011) refers to the various linkages, for example in the physical, economic and social environments and contributes to our understanding of the sustainability of natural resources (Koontz et al., 2015). In social ecological systems it is important that institutions show adaptive capacity. Adaptive institutions are thought to help a governance system cope with uncertainty and complexity (Huntjens et al., 2012). In order to adjust to systems to environmental issues, and make and implement the right decisions, institutions need to be changed, adjusted, expanded or created (Short, 2015). Institutions – global, national and local – are important

in the discourse on fisheries management, the success of managing the fishing industry depending on the adaptability of certain institutions within the industry. The fishing industry has and requires a unique institutional infrastructure because of the imperatives of resource management.

### **6.2.2 International fishery institutions and fishery management in South Africa**

Worldwide decline in fish stocks have significantly impacted on the livelihoods of coastal fishing communities where jobs were lost and other areas of employment have offered limited alternatives (Olivier, Heineken & Jackson, 2013). About 30% of world fish stocks is classified as being overexploited or depleted (FAO, 2014). This recognition has led to management systems that include specific management measures (e.g. gear restrictions, regulation of catch and effort) access rights and various forms of governance (Christy, 2000). Supplementary initiatives to face these problems also include regional and international fisheries agreements, NGO campaigns and industry-led management innovations (Peacey, 2000). Most approaches to fisheries management focus on managing people's behaviour to achieve sustainability in the conservation of resources (Garcia & Cochrane, 2005). Hilborn, Orensanz & Parma (2005) have argued that the key to successful management of marine resources is the establishment of appropriate institutions for governance that include a reward system, so that the individual welfare of fishermen, managers and scientists is maximised by actions that contribute to societally desirable outcomes. However, some of these institutions in the fishing industry are hard to change, slow to innovate and they tend to fall into the trap of 'path dependencies' (Jentoft, 2004). Further complicating the management of fisheries are factors beyond human control. Declines in the abundance of the most important commercial fish species have occurred because of overfishing and even as the result of a combination of environmental effects and fishing pressures (IPCC, 2001). Climatic variations have been shown to substantially decrease as well as increase stock abundance so that the success of future fish-stock assessments depends to a great extent on scientists' ability to predict the impacts of climate change on the dynamics of marine ecosystems (McGowan, Cayan & Dorman, 1998; Hoegh-Guldberg & Bruno, 2010). All of these factors have called into question the very foundations of fisheries management, its approaches, theory and governance systems.

Anglers, fishing communities and commercial fishing companies depend on fishery institutions, but at the same time they are in conflict with each other: "We encounter institutions constantly. We live with them. Sometimes we also need to battle with them and in them, although some of us are better positioned than others to have an impact on them" (Jentoft, 2004: 138). There is consensus that the various sectors of the fishing industry require different governance structures, support and management regimes due to their unique economic-historical

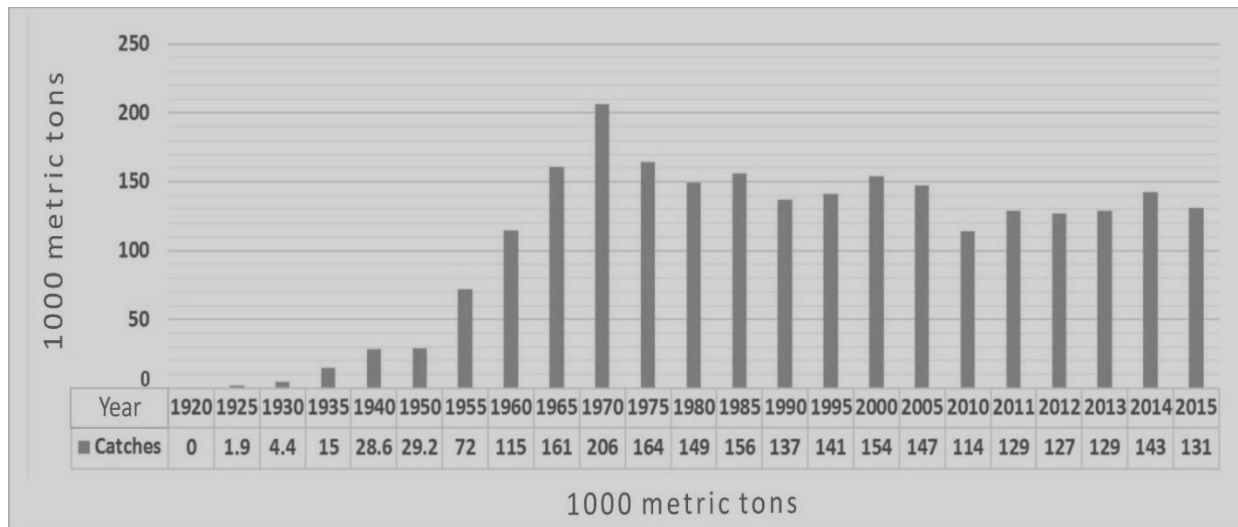
contexts (Glazewski, 2005; Sowman, 2011). Regardless of the approach adopted in defining and managing the various fishing sectors in fisheries management legislation, the approach must always be context specific (place-based) and must respond to the socio-economic realities within which the regulatory regime is applied (Sowman, 2011). But deciding on an approach is not easy or straightforward as fisheries are situated in complex social ecological systems (biology, ecology, economies, social aspects, politics, etc.).

Many international fisheries are regulated by international commissions, consisting of representatives of member countries. Examples include the Inter-American Tropical Tuna Commission, the Commission for the Conservation Southern Bluefin Tuna and the Conservation of Antarctic Marine Living Resources. Most of the commissions operate on the basis of consensus (Hilborn, Orensanz & Parma, 2005). Closer to the SA fishing waters, the International Commission for the South-East Atlantic Fisheries (ICSEAF) was established 1972 to implement various measures (a minimum mesh size, international inspections and quota allocations to member countries). The worldwide decline in fish stocks also led to the establishment of the international Marine Stewardship Council (MSC) in 1996 (Peacey, 2000). The main objectives of MSC are to address the drastic decline in some of the fish stocks and to provide hake fisheries with a certificate (an eco-label) to retail products. Membership of the MSC helps companies to participate collectively and in a science-based manner in the conservation of marine resources (Ponte, 2006). Certification of a fish commodity gives the seller a competitive advantage since it is often synonymous with superior quality that ensures a premium price for the product, improved client relationships, continued (and improved) access to markets, enhanced public image, product differentiation and market segmentation (Lallemand et al., 2014). Unfortunately, some scholars oppose these over-optimistic views (Nielsen & Hara, 2006; Ponte, 2006).

### **6.2.3 Hake deep-sea trawling in South Africa**

The demersal hake trawl has an unusual history; it has operated as a ‘modern’ industrialised fishery since the 1890s, as opposed to all other SA fisheries that first developed from subsistence through small-scale fisheries (Van Sittert, 2003). The demersal trawl fishery (deep-sea and inshore sectors) is South Africa’s most important fishery (*Government Gazette*, 2015). The historical development of the industry, the exploitation patterns, management strategies and rights allocations can be broadly categorised into three major epochs: the pre-1977 era; the 1977 to 1992 era and the post-1992 (new dispensation) era (Sauer et al., 2003). From its inception until 1977, despite certain checks and balances and restrictions, the industry has operated largely as an open-access fishery. By the end of the First World War the hake catch had increased to about 1000 tons a year and by 1965 just more than 200 000 tons were caught (DAFF, 2014). In the early 1970s the peak catch levels of hake in

South African waters were 300 000 tons per annum (*Fisheries Industry Handbook*, 2015). To prevent a tragedy-of-the-commons situation the total allowable catch (TAC) approach was introduced in South African fishing waters. At that time the SA contribution to the south-east Atlantic hake catch had fallen from 95% to 15% (International Sustainability Unit (ISU), 2012). The proclamation of an exclusive economic zone (EEZ) in 1977 extended the national maritime boundaries to 200 nautical miles (370 km) offshore and all foreign fleets were excluded from these waters. The exclusion created favourable catching and oligopolistic conditions for Irvin & Johnson Ltd (I&J) and Sea Harvest Corporation which together formed the South African Deep-Sea Trawling Industry Association (SADSTIA) in 1977 (Crosoer, Van Sittert & Ponte, 2006). The declaration of the EEZ by South Africa marked the onset of direct management of the South African hake resource by the South African government (DAFF, 2012). Although the annual South African hake catches (due to lower TAC) have dropped since 1970 (Figure 6.1), it still accounted for more than one half of the wealth generated from commercial fisheries (*Government Gazette*, 2015).



Source: Author's own artwork (Data sourced from (DAFF, 2016)

Figure 6.1 Annual South African catches of hake, 1920 to 2015

Over 95% of the trawling industry's catch is landed in the Western Cape. The growing demand (particularly in northern Europe) for certified sustainable seafood products has resulted in the expansion of export markets worth US\$197 million (R2.9 billion) (SADSTIA, 2015). Fifty-five per cent of demersal trawl catches are exported (South Africa – Seafish, 2015). The HDST industry is vertically integrated (fishing, processing and marketing are situated in the same company). Right-holders in the deep-sea trawling industry operate capital-intensive businesses that require large vessels and extensive skill to harvest fish about 100 nautical miles from the coast, with nets cast up to 800 m deep and vessels sometimes riding 6 m swells (SADSTIA, 2016). The HDST industry has a strong labour-intensive component, employs 6700 permanent people and creates more



than 12 000 indirect jobs. Van Zyl, Barbour & Hamann (2008) pointed out that employment in the hake fisheries has been quite stable because hake is not seasonal. For every 1000 tons of hake caught and processed, 65 jobs are created in the demersal hake industry. Jobs are mostly permanent and non-seasonal (Responsible Fishing Alliance (RFA), 2015).

Although, hake is regarded as having under optimal stock status, the closing stock of hake rose by 34.4% over a 10-year period, from 419 000 tons in 2005 to 563 000 tons in 2014. Total annual catches of hake have dropped by 17.5% from 154 000 tons in 2000 to 127 000 tons in 2012. The only form of closure is in the Kingklip spawning grounds in a particular hake fishing ground (southern end of the Agulhas Bank) (Khumalo 2016, Pers com). The off shore hake trawl is a ‘mature’ fishery, in the sense that profits have long been based on sustainable harvesting rather than mining down the resource stock; all ‘get rich quick’ opportunities are long gone (Leiman, 2015).

The main export markets for South Africa hake are frozen fish to Spain, France, Portugal, Italy, Australia and the United States of America (USA) and fresh-chilled hake to Germany, Spain and France (Marine Stewardship Council, 2016). In South Africa, the Department of Agriculture, Forestry and Fisheries (DAFF) presents the government in a very complex institutional context. There are also two scientific working groups, one responsible for conducting research, the other for the scientific management of the resource. The RFA, SADSTIA and MSC are also part of the governance structure of the hake sector in South Africa (Kupara, 2014). In South Africa prior to 1994, whites owned and controlled 80% of the fishing industry (Hersoug & Holm, 2000). The post-apartheid government has seen the urgent need for reform and in less than four years following democracy a new policy – based on the principles of more equal access for the historically disadvantaged groups and individuals was introduced (Ponte, 2008; Heinstein, 2011). The SA Marine Living Resource Act (MLRA) of 1998 provided the legal context to enact the transformation of the SA fishing industry (*Government Gazette*, 1998). The challenge to government, the private sector and civil society is to build a partnership based on the three pillars of the MLRA: equity, economic efficiency and sustainability. Apart from the transforming strategy in the allocation of fishing rights, the MLRA have been treated as a resource management issue rather than a socio-economic challenge (Nielsen & Hara, 2006). Since the introduction of the MLRA in 1998, fundamental structural change has taken place in the fishing industry in response to government’s policies on broad based black economic empowerment (BBBEE) (SADSTIA, 2017). Today the bigger companies have been transformed at the shareholding and management level (most have also introduced employee shareholding schemes) and a number of small and medium-sized, majority black-owned companies hold rights in the fishery and are operating successfully. There are currently 44 rights-holders in the deep-sea trawling industry (Table



6.1). More than 60% of South Africa's most valuable commercial fishery, the deep-sea trawling industry, is black-owned (SADSTIA, 2016). However, Mnisi & Lekezwa (2014) have argued in their paper, which was brought to the attention of the Competition Commission of South Africa, that despite the economies of scale that characterised fishing and fish processing, the DAFF should use the forthcoming renewal of long-term fishing rights (due in 2020) to fragment access to fishing resources. The rationale for the use of long-term access rights to a fishery is to provide a secure platform for investment and to incentivise responsible management of the resource (SADSTIA, 2016). The fragmentation of the deep-sea trawl industry may cause job losses for a short period of time, but over the long term, ownership and economic participation would be more diverse. Should the process fail to deliver the benefits they postulate, the international and domestic viability of the industry, and the financial competitiveness of its products, could be severely compromised (Leiman, 2015).

Table 6.1 Geography of offshore hake right-holders (residence by province)

Province	Number
Eastern Cape	5
Western Cape	37
Northern Cape	1
Gauteng	1
<b>Total</b>	<b>44</b>

Source: DAFF (July 2017, Pers com)

The foregoing has overviewed the crucial role institutions have played in fisheries management and regional development. The following section explains the research method, Sea Harvest's evolution and its contribution to the local economy of Saldanha town and its region.

### 6.3 RESEARCH METHOD

The evolution of Sea Harvest and its role in the regional development of the GSB region since 1964 were investigated using an in-depth case study. Semi-structured interviews were held with senior management members, a company-specific questionnaire survey was conducted and other appropriate information was collected. The Strategic Services Executive Manager and the Human Resource Manager of Sea Harvest were interviewed. The self-assessment questionnaire was the main source of primary data which was supplemented by secondary data gleaned from the annual reports (1964 to 2015) of Sea Harvest. Appropriate literature on fisheries institutions in South Africa was consulted. The data and information were supplemented through a snowballing process of telephonic and emailed communication with other stakeholders.

## 6.4 SEA HARVEST'S EVOLUTION AND CONTRIBUTION TO THE LOCAL ECONOMY OF SALDANHA TOWN AND ITS REGION

This section comprises four subsections: in Subsection 6.4.1 attention is given to Saldanha town in its local and regional development context; Subsection 6.4.2 elaborates on the evolution, competition and current standing (1964-2016) of the deep-sea hake trawl industry in South Africa; Subsection 6.4.3 describes Sea Harvest's contribution to the regional economy; and Subsection 6.4.4 concludes the discussion with an assessment of Sea Harvest's social responsibilities to the local communities.

### 6.4.1 Saldanha town in its local and regional developmental context

Saldanha Bay is approximately 110 km north-west of Cape Town on the West Coast (Figure 6.2). Saldanha town is the major settlement of the Saldanha Bay Municipality (SBM) which is the most developed part in the West Coast District Municipality (WCDM) of the Western Cape.

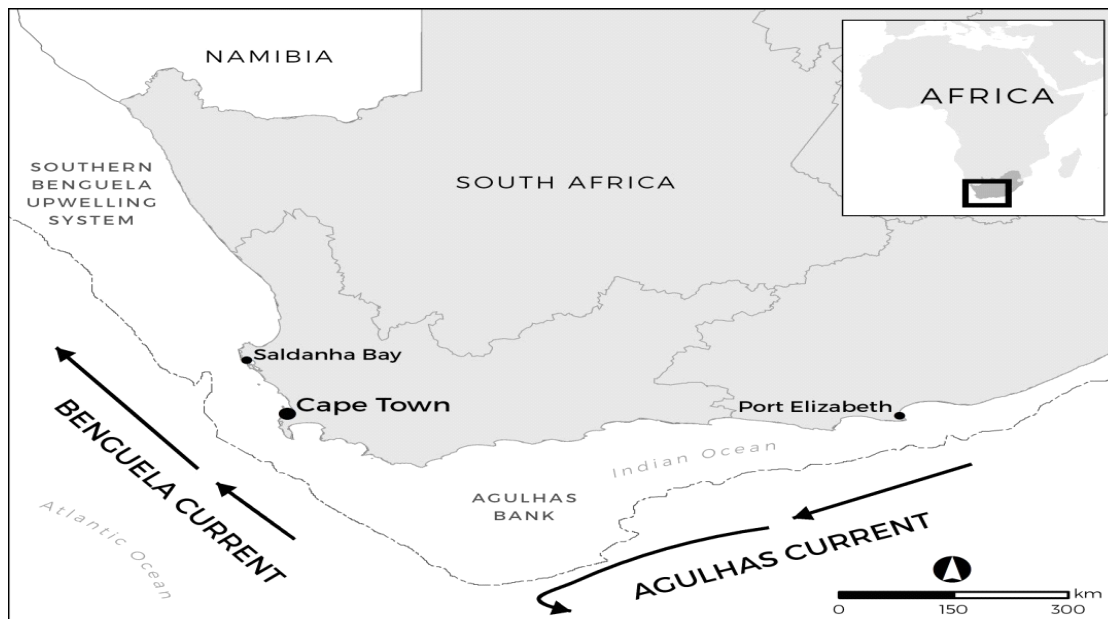


Figure 6.2 Saldanha Bay and coastal context (artwork by author)

The regional economy is based on steel manufacturing, fishing, tourism and harbour-related industries (The Presidency, 2012). During 2011, the GSB region was listed as one of the presidential priority development regions (National Planning Commission, 2011) and in 2012 declared as a new industrial development zone (IDZ) (The Presidency, 2012). According to the National Development Plan 2030 (2012) the IDZ of Saldanha

is strategically positioned to serve the envisaged oil-and-gas service centre on the African continent and will create opportunities for components manufacturing to support the oil-and-gas service centre (The Presidency, 2012). In July 2014 the SA government launched its Operation Phakisa strategy (The Presidency, 2014) to unlock the economic potential of South Africa's ocean areas. The so-called 'blue economy', of which Sea Harvest is part, aims to create jobs and alleviate poverty in the West Coast region.

#### **6.4.2 Evolution, competition and current standing – 1964-2016**

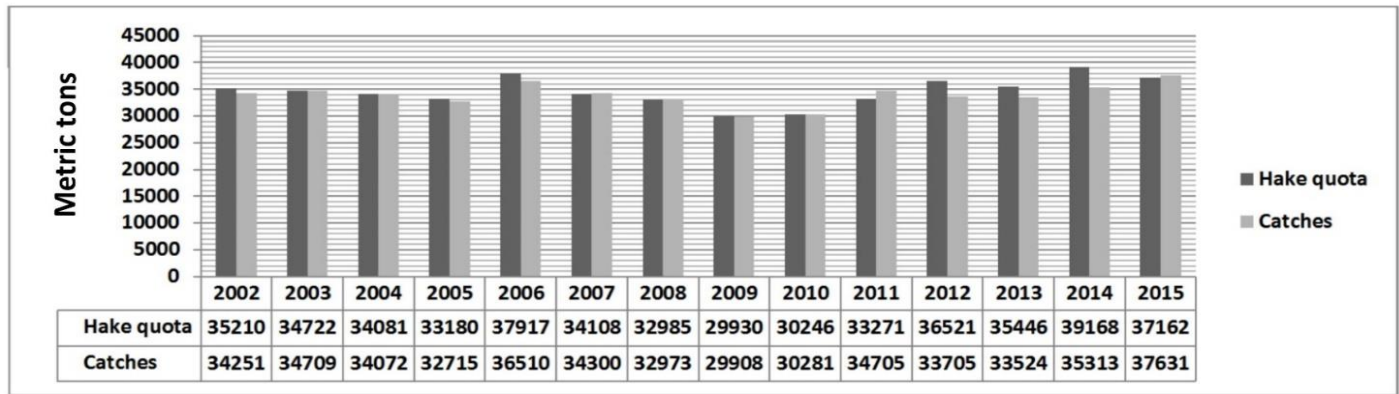
The establishment of Sea Harvest in Saldanha town in 1964 (Warman, 2012) broke the monopoly of Irvin & Johnson (based at Cape Town) in the deep-sea hake industry. Sea Harvest operated with a fleet of 30 trawlers manned by Spanish skippers and crews (Burman & Levin, 1974). The decision to locate Sea Harvest's processing plant in Saldanha was influenced by a number of factors. First, is the proximity of Saldanha Bay to the biodiverse fishing grounds of the Agulhas Bank off the west and south coasts of Southern Africa where it is deeper than 110 m (Japp, Sims & Smale, 1994). The key species *Merluccius capensis* – commonly known as Cape capensis – occurs here. This part of the marine ecosystem is unpolluted and the nutrient-rich waters of the cold Benguela current sweep up from the Antarctic (see Figure 6.2, Sink et al., 2012). Second, the natural harbour of Saldanha Bay is deep enough to land hake from large deep-sea vessels and third, the local community has a long fishing tradition<sup>27</sup> (a strong cultural institution) and willing to work on the deep-sea vessels and in the fish factory (Cooper, 2015). These contexts of geographical and human resources provided the opportunity to invest in and develop appropriate superstructure to process fish products and to create much-needed jobs in the GSB region (Khumalo 2016, Pers com). Much has changed since the establishment of the company: substantial changes in fishing gear, exponential increases in fishing effort and the introduction of fish-processing methods (Sink et al., 2012). The advent of large factory ships revolutionised the trawling industry of the day. Fierce competition existed between the operators of foreign and local fishing vessels from the mid 1960s to the mid 1970s. Sea Harvest had to adapt quickly to match the fishing efforts and capacities of foreign rivals (Russia, Bulgaria, Rumania, East Germany, Poland, Japan and Spain).

The company invested in more and larger vessels and had to add a floor at their primary-processing plant in Saldanha Bay which ran out of capacity many times between 1964 and 1974. The physical expansion of their plant was supplemented by extra cold-storage facilities (Williams 2016, Pers com). However, the conversion of freezer trawlers to on-board factory trawlers posed a threat to the employment numbers at their inshore

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<sup>27</sup> The local community of the Greater Saldanha Bay region has a long fishing tradition (Van Sittert, 2003; Warman, 2012).

processing facilities (Sauer et al., 2003). Currently, Sea Harvest's quota is 37 162 tons (Figure 6.3) or 23 % of the national TAC. Despite a 5% lower catch volume in 2015, revenue increased by about 1% through price increases in their foreign markets and effective forex hedging (Brimstone Investment Corporation Limited, 2015).



Source: Authors' artwork; Data sourced from Sea Harvest Corporation (2016)

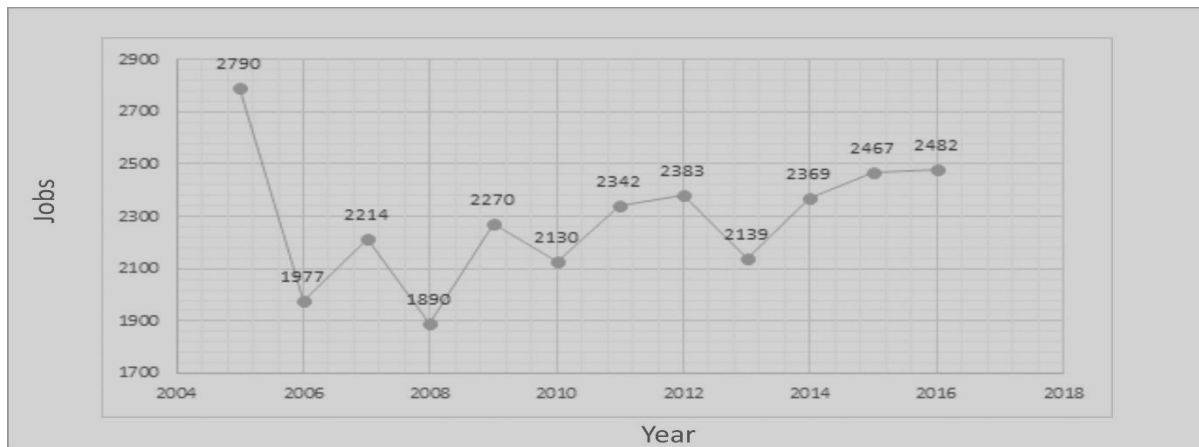
Figure 6.3 Sea Harvest's hake quota and hake catches, 2002 to 2015

Sea Harvest continued with its capital investment programme in 2015 by converting an existing trawler to a freezer trawler as well as upgrading its fresh-fish plant. In 2014-2015 over R200 million was invested in vessels and plant upgrades (Brimstone Investment Corporation Limited, 2015). In December 2015, Sea Harvest acquired a 19.9% stake in Mareterram Limited, a vertically-integrated agribusiness listed on the ASX in Australia. This move secured a route to a crucial market and provides a platform for international market diversification and expansion (Brimstone Investment Corporation Limited, 2015).

#### 6.4.3 Contribution to the regional economy

Sea Harvest is the major employer in the GSB region. It is estimated that each of the 2122 permanent and 360 contracted staff members of Sea Harvest supports an average of five other family members (more than 12 000 people). Approximately 80% of Sea Harvest's permanent employees and 96% of their contract employees reside in Saldanha town (Khumalo 2016, Pers com). Although Sea Harvest's annual catches (Figure 6.3) have fluctuated between 2005 and 2015 – mainly due to unfavourable weather conditions – their employment figures have remained fairly constant (Figure 6.4). "The reason behind this is the commitment of Sea Harvest to sustain jobs" (Khumalo 2016, Pers com). Between 25 and 30% of all household income in the GSB region is generated through Sea Harvest's activities in the town and region (Groenewald, 2015a, 2015b). The company contributes to the economic resilience of the GSB region and the West Coast District Municipality especially as a job

retainer in times when fish catches yield lower volumes of fish and the steel industry (Saldanha Steel) is shedding jobs in the town and region. In the context of retaining jobs, unions want government to increase quotas to large companies – such as Sea Harvest – to improve employment opportunities in the sector. Union leaders have spoken out against a transformation that would only fragment the industry and would not create employment but benefits only those who are politically connected (Kupara, 2014).



Source: Sea Harvest Corporation (2016)

Figure 6.4 Number of Sea Harvest's employees, 2005 to 2016

Apart from direct employment, Sea Harvest's operations are linked to suppliers and service providers (first-round indirect employment) and broader multiplier effects (second-round direct employment) as well as the employment of local fish traders (Van Zyl, Barbour & Hamann, 2008). One hundred-and-fifty-six local companies (Table 6.2) provide material inputs and services (e.g. packaging material, cleaning services, engineering, shipwrights, painting, catering for shore-based operations, crane hire, security, laundry, health services for medical check-ups, plumbing and welding) to support Sea Harvest operations in Saldanha town.

Table 6.2 Sea Harvest's spending on material supplies and services in 2015

Category	Rand	Number of suppliers
Imports	146 000 000 (13.6%)	54 (6.5%)
Parastatal	51 000 000 (4.8%)	11 (1.3%)
Local suppliers and services	90 951 832 (8.5%)	156 (18.7%)
South African suppliers not situated on the West Coast	781 600 000 (73.1%)	613 (73.5%)
<b>Total spending</b>	<b>1 069 551 832 (100)</b>	<b>834 (100)</b>

Source: Sea Harvest Corporation (2016)

All stevedore services are provided by Saldanha-based firms and provisions (food, fuel, etc.) for trips to sea are also sourced locally (Ocks 2016, Pers com). In 2016, 18 businesses in the GSB region relied on Sea Harvest for their supplies of frozen and fresh fish (Khumalo 2016, Pers com). Sea Harvest's influence also extends beyond the town and region's socio-economic field to the national economy (Table 6.3). Apart from being an important employer, the corporation is a contributor to local and national direct and indirect tax income. Government revenue associated with Sea Harvest accrues to national fiscus and to local government in the form of the municipal income.

Table 6.3 Sea Harvest's financial contributions to the Greater Saldanha Bay regional economy and the country, March 2015-March 2016

Type of contribution	Rand
<b>Municipal income</b>	
Electricity	31 120 126
Water	4 984 204
Refuse removal	239 234
<b>Total</b>	<b>36 343 564</b>
<b>Government revenue</b>	
Marine levies and licenses	29 200 000
Indirect taxes	65 834 447
<b>Total</b>	<b>131 378 011</b>
<b>Corporate social responsibility</b>	
Investment in local social projects and initiatives	828 061
<b>Total</b>	
<b>Salaries of employees of Sea Harvest Saldanha</b>	<b>221 500 000</b>
<b>Local suppliers and services</b>	<b>90 951 832</b>
<b>Value of local incomes associated with Sea Harvest's operations (salaries and services)</b>	<b>350 000 000</b>
<b>Total contributions to the Greater Saldanha Bay regional economy and the country</b>	<b>794 657 904</b>

Source: Questionnaire survey conducted in 2015 and 2016

More than R36.3 million was paid to the local municipality in 2015 for services (electricity, water and refuse removal). In the context of the GSB region, Sea Harvest's payments represent 6.3% of total SBM income. Some, R131.7 million was contributed to government revenues. Some, R132 million was paid to government revenues (Ocks 2016, Pers com). Apart from the employee share scheme, more can be done to increase the percentage (0.1%) or R828 061 of investment in local social project and initiatives. This will ultimately have

broadened its Corporate Social Investment (CSI) programme in order to create indirect jobs and consequently relieve the pressure on poverty.

#### **6.4.4 Social responsibility**

Apart from Sea Harvest's financial contributions to the local economy, the company is committed to improving the lives of local community members through various capital and social investments. Added to the annual contribution of R828 061 to the Corporate Social Investment programme (Table 6.3), Sea Harvest maintains a strong relationship with educational institutions from pre-primary to tertiary level in the GSB region. Every year 20 apprenticeships in various trades are provided for local school leavers. Sea Harvest Corporation has an agreement with the Further Education and Training (FET) College in Vredenburg, where at least 20 students participate annually in their 6-12-month internship and apprenticeship programmes. The company also accommodates 20 interns annually from Cape Peninsula University of Technology (CPUT) at their main plant in Saldanha Bay. In 2015 the company donated land to build a much needed Grade-R class and a pre-school facility for toddlers Saldanha town (Ocks 2016, Pers com).

In 2015 Sea Harvest launched its second employee share scheme. The company gave 4.3 million shares to its employees resulting in employee ownership of approximately 5% of the total shares (Brimestone Investment Corporation Limited, 2015). The employee share scheme is their most substantial commitment to the people of the region. At least 5000 direct and indirect employees stand to benefit when the shares vest in 2022. According to Khumalo (2016, Pers com) "long-term rights expire at the end of 2020 when a new business cycle will start." A total of 1588 employees – most of the permanent employees – own shares in the company. These shares currently have a total value of R11.7 million (Khumalo 2016, Pers com). The share scheme was created to increase the economic benefits for Sea Harvest's employees and other beneficiaries as well as to promote empowerment and wealth-sharing with employees.

### **6.5 CONCLUSION**

Institutions contribute to the performance of regions while also expressing a certain local identity. Commercial fishing is part of the local and regional identity of Saldanha town and the GSB region. The case of Sea Harvest confirms the 'economic backbone' role of a pioneer institution in a relatively small coastal economy. Sea Harvest is a strong, vertically integrated fishing company that operates within a layered institutional context which includes both formal institutions such as laws and international commissions (ICSEAF; Marine Living



Resource Act of 1998, policies Broad-based black economic empowerment (BBBEE), organisational structures (SADSTIA; MSC) and informal institutions such as power relations between owners and/or companies with access rights (quota holders) and their worker as well as practices that have developed over years and the rules that are followed in practice. The Saldanha Bay commercial hake context exemplifies the nested system or linkages, where the physical realm (Agulhas Bank with its rich and biodiverse marine resources; the Saldanha Bay deep natural harbour), the economic value and popularity of ‘white fish’ among consumers (growing international and local markets) and the social environment (fishing tradition of local community) have a decisive influence on these institutions’ survival.

For more than 50 years Saldanha town and the Greater Saldanha Bay region have sustained a strong relationship with the commercial hake industry through the presence of this very resilient player. Currently the company is a job retainer and not a creator of new jobs, but it has played (and still plays) a very important role in economically tough times when other regional economic activities have been in decline. Sea Harvest is the largest employer in the Greater Saldanha Bay region and West Coast District Municipality where more than 2000 permanent jobs have been sustained over the last 10 years and at least 25% of all households in the Greater Hake-fish workers in Saldanha town are relatively well off compared to other workers in the fishery sector (in terms of their salaries) of South Africa (Kupara, 2014). Saldanha town and the Greater Saldanha Bay region have benefitted in many ways from their involvement with the company. Its presence is felt in the local and national socio-economic context through their financial contributions to local and national authorities (as direct and indirect tax payers), shareholding and dividend schemes, corporate social responsibility projects, capital and operational expenditure, and its contribution to the region’s share of GDP. Unfortunately, the local hake fishing industry faces a number of challenges. The future and health of the company are based on a natural marine resource that is limited regarding its recovery capacity, seasonal variability and uncertainty about how climate change will affect the hake fishery as well as issues amid political setting (future rights allocation 2020 that will possibly fragment the hake industry) that adds to uncertainty. In Saldanha town it is important that institutions involved in the management of the deep-sea hake trawling industry show adaptive capacity to help cope with uncertainty and complexity.

According to the latest census (2011) Saldanha’s town population can be classified as 54% Coloured, 30% African and 16% White. Over the last 10 years as a result of the industrialisation of Saldanha town large numbers of job seekers from the Eastern Cape have settled in informal settlements around Saldanha town and most of the older residents and employees at Sea Harvest are not positively inclined towards new entrants (fish factory workers and quota holders) from the Eastern Cape.



Also, too often policy action has sought to introduce new players and institutions into a region without giving attention to the dominant mindset of some historical institutions (the fishing culture of the community of Greater Saldanha Bay region and their resistance to new entrants from the Eastern Cape) and the effects on innovation and adaptability. According to a senior resident of Saldanha town (Welman 2017, Pers com):

The inception of Sea Harvest in 1964 has not changed the socio-economic status of coloured community but rather propelled their alienation by employing Spanish seagoing skippers and crew members till the early 1980s. Between the early 1900s and 1994 the coloured community – because of a lack of capital and no government support – was unable to improve their socio-economic situation by becoming boat and factories owners. In a post-Apartheid era (after 1994) workers from the local community are not ‘black’ enough to receive the full benefit of the transformation of the fishing industry.

The issue of climate change and political influence complicate planning and investment in new vessels and the expansion of existing superstructure (production plant) and the possibility of creating new permanent jobs. The rationale for the use of long-term access rights to a fishery is to provide a secure platform for investment and to incentivise responsible management of the resource. Since 2005, it has been remarkably successful in both regards, and any threat to long-term rights clearly threatens stability in a highly competitive global market. There is a common but false perception that the fishing industry is untransformed. In the South African context this refers to a company (workers, managers and owners) that does not reflect the profile of the total population of South Africa. The commercial hake industry is 62% BBBEE (SADSTIA, 2016) and the three biggest firms in the industry are either public companies themselves or components in public conglomerates. The biggest shareholders in South Africa are pension funds holding assets on behalf of a racially mixed workforce, and the management and senior staff of the fishing companies have long been similarly mixed.

The lessons that other local economies involved in the fishing industry can take from the commercial hake industry of the GSB region are few, but important. It is most important to fish within the biological capacity of the fishery, taking cognisance of climate change and adapt the harvest accordingly to ensure that there will be hake to catch in future and fishing companies can retain their workers. Second, to keep up with technological innovation in the processing of hake to be able to compete in the sought-after consumer markets of the Northern hemisphere and lastly, ensure that government partners are impartial actors in pursuit of the national interest and not to provide for those that are politically connected.

In the following chapter Saldana Bay Municipality as an enabler of local and regional development is presented

## **CHAPTER 7 LOCAL GOVERNMENT AS ENABLER OF REGIONAL DEVELOPMENT: THE CASE OF SALDANHA BAY MUNICIPALITY**

### **7.1 INTRODUCTION**

Regions (and their towns) operate in complex and uncertain environments. The perception exists that processes associated with globalisation have made places and regions more permeable to the effects of what were once thought to be external processes. In the regional development discourse on institutions there is a renewed interest in the role local governments play in creating enabling environments for urban and regional development. There has been much debate on the role of local government in stimulating or facilitating economic growth, particularly on what kind of regional development policies should be applied and for whom (Stimson, Stough & Salazar, 2009). Recent contributions to the debate on institutions and economic development show one common concern with the constructive role of national, regional and local governments in shaping the patterns of development (Tomaney, 2014). According to urban regime theorists it is all about “identifying actors who have ‘a capacity to act’ in the locality and thereby bring about change” (Rydin, 1998: 176). Glaeser (2012: 261) strongly supports this idea that “the best economic development strategy may be to attract smart people and get out of the way.” Unfortunately, a region’s development is not only dependent on the local actors and governance structures (local, provincial and national government) as it is also embedded in the global economy (Allen & Cochrane, 2010).

Some of the main economic players operating in the regional economy of the GSB region face challenges from external events, local socio-economic and climate contexts and a void in leadership. Given the overproduction of steel in the world there is a strong possibility that ArcelorMittal – the local steel-producing plant in Saldanha – can be mothballed in future (Fin24, 2016). The proposed expansion of the oil-rig-and-gas service centre in the Saldanha Port – Operation Phakisa – is no longer an urgent endeavour because of the high capital-intensive nature of the investment needed for off-shore oil exploration in the southern waters of the African continent versus the cheaper oil prices on the global market (Venter, 2016). The local white-fish industry – in which Sea Harvest is the main economic player – is bound by institutional complexities (from the local to the global) (Welman & Ferreira, 2017) and the unpredictability of the effects of climate change, both of which are beyond the industry’s control. Against this unpromising background and the real incapacity of governments to inject top-down development via traditional methods of support, this chapter focuses on the role of local government in providing an enabling environment for urban and regional development in Saldanha and its region. The next

section reviews the international and South African literature on the role of local governments in regional development.

## **7.2 LOCAL GOVERNMENT'S ROLE IN REGIONAL DEVELOPMENT**

This chapter analyses the role of Saldanha Bay Municipality (SBM) – the local government – in providing an enabling environment for urban and regional development in Saldanha and its region. This section is divided into two subsections. In subsection 7.2.1, the international literature is reviewed on the role of local governments in regional development; and in subsection 7.2.2, the South African policy on local economic development (LED) is described.

### **7.2.1 An international perspective**

Institutions are crucial players in regional development. The decisions made in institutions and the consequent actions reverberate throughout society (Afrin, 2013). Conversely, these institutions depend on support and resources from society. Unquestionably, business and society are deeply and dynamically interdependent and interconnected. Regional development also does not evolve in isolation from its broader geographical contexts (Pike, Rodríguez-Pose & Tomaney, 2007; Sorensen, 2015). Each institution contributes in various ways and at specific scales to local and regional development (Pike, Rodríguez-Pose & Tomaney, 2007). Local economies and markets are rapidly shifting so giving local governmental systems less control over them (Sorensen, 2015). Under certain circumstances, the national and regional economic and political contexts are greater influences on the structural character and dynamics of a small town than the town itself as the pacemakers (Hinderink & Titus, 2002). Local governments must be ever aware of the demands of the global economy and how to adapt to them (Sotarauta, 2007). According to Oi (1995), China's economic reform in the early 1990s is supporting evidence of North's (1990: 107) assertion that institutions "... are the underlying determinant of the long-run performance of economies." Poor institutional arrangements and institutional structures can undermine efforts to achieve greater interfirm linkages and community involvement (Perrons, 2004).

Place leadership, approaches to the long-term development and maintenance of strong, sustainable and inclusive places that contribute to the well-being of a community both in terms of its economic base, the quality of life of its citizens and, ultimately, social cohesion and identity, all play significant roles in the economic growth of regions, but what really matters is leaders with the 'capacity to act' or 'govern' (Stoker & Mossberger, 1994). The effectiveness of governance is not determined by "the formal machinery of

government, but rather the informal partnership between City Hall and business elite” (Stone, 1989: 283). This relationship helps to explain how and why some localities are able to adapt to the complex and rapidly changing social and economic circumstances of the modern world and are others not (Sotarauta & Mustikkamäki, 2012). Local governments are essentially political institutions that can determine the development path of regions (Rodríguez-Pose & Palavicini-Corona, 2013). The most effective strategies for regional resilience rely on acquired levels of civic capital and the existing endowment of regional institutions to chart new paths (Wolfe, 2010).

Since 2000, the literature draws attention to the move away from an ‘active’ form of state organisation to an ‘enabling’ form emphasising the type of leadership associated with a state in which services and regulation are provided by a mix of organisations with a range of supervisory and control regimes and mechanisms (Hood, Rothstein & Baldwin, 2001). According to this view the role of government has become one of enabling other organisations – whether private, voluntary, semi-public, regional and local government, judicial bodies or arm’s-length government agencies – to provide services and to exercise hands-on control over the application of regulations (Kooiman, 2003). The move from an active to an enabling state has changed the character of government itself, so much so that for many the term ‘government’ has been abandoned (apart from descriptions of the past) in favour of the word ‘governance’ (Page & Wright, 2007). Neither urban nor regional governance starts with a clean sheet but has to restructure and transform within the bounds of previous interventions (Smith, 1993). Along with this transformation from administrator to entrepreneur, local governments are shifting from being regulators to being advocates for their local enterprises (Oi, 1995). According to Christopherson, Michie & Tyler (2010: 5) “one might say that regions make their own resilience, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past.” Each local authority has its own distinctive spatial development framework and its own actors who drive regional development. These processes interact and change over time, sometimes while being shaped by national intervention (Nel & Binns, 2001).

Local authorities need to embark on a strategy to be entrepreneurial and create spaces for the development of a transformative vision that includes spatial integration, access, growth and governance (DCGTA, 2016). At the global scale, space-neutral approaches to economic and regional development are increasingly being replaced by place-based strategies that reflect the needs of local agents and communities (Rodríguez-Pose & Wilkie, 2016). The next subsection overviews the policy that has framed the developmental role of the local economic development (LED) department in South Africa since 1994. Local economic development (LED) is seen as one of the most important ways of decreasing poverty. Local economic development through

partnership agreements with other economic players and e.g. state-owned enterprises must aim to create jobs by making the local economy grow.

### 7.2.2 South African policy on local economic development

The policy and the practice of local economic development (LED) institutionalism have evolved significantly in South Africa's post-apartheid era (Nel & Binns, 2001). The 'developmental local government'<sup>28</sup> approach followed since 1998 presents a shift in political expectations and legal provisions for local governments to operate beyond service delivery and also mirrors what was happening in the international arena, the so-called 'new institutionalism'<sup>29</sup>. The White Paper on Local Government (RSA, 1998b) and the Municipal Systems Act (RSA, 2000a) have placed new responsibilities on local authorities in South Africa to be involved in LED and job creation. According to Nel & Binns (2001: 357) "municipalities have a crucial role as policymakers, as thinkers and innovators and as institutions of local democracy." In 2006 a national framework for LED was accepted for the next five years (2006 to 2011). This LED framework was intended to assist local governments to create environments in which the overall economic and social conditions of the locality are conducive to the creation of employment opportunities (DPLG, 2006a). The South African national government has provided a legal framework, a series of policy documents and implementation plans to enable local governments to act in a 'developmental manner'. Table 7.1 lists some of these policy documents.

Table 7.1 Policy and legal contexts for developmental local government in South Africa, 1996 to 2016

The Constitution (RSA, 1996a)
White Paper on Local Government (RSA, 1998b)
Local Government: Municipal Systems Act, XXX (RSA, 2000a)
A Policy Paper on Integrated Development Planning (RSA, 2000b)
Policy Guidelines for Implementing Local Economic Development (LED) in South Africa (RSA, 2005)
Stimulating and developing sustainable local economies (DPLG, 2006b)
National Development Plan 2030 Our future make it work (RSA, 2012)
Integrated Urban Economic Development Plan – Level 6 – Inclusive Development (DCGTA, 2014)
Integrated Urban Development Framework (DCGTA, 2016)

Source: Compiled by researcher

<sup>28</sup> This is defined as: "...a vision of a developmental local government, which centers on working with local communities to find sustainable ways to meet their needs and improve the quality of their lives" (RSA 1998b: 7).

<sup>29</sup> 'New institutionalism' is concerned with the informal norms, rules and structures that exist within and around the formal institutions. It is concerned with the deep structures and rules of the game which provide a context for individual actors and which inform and shape their behaviour (Mackay, Kenny & Chappell, 2010).

These policies, plans and frameworks call on municipalities to become more strategic, visionary and ultimately, influential in the ways they operate. The DPLG worked for five years to produce a document on the national framework for local economic development which relies on input from major players – Department of Trade and Industry, South African Local Government Association and academic institutions – and other important actors (not-for-profit organisations, municipalities and local community organisations (DPLG, 2006b). The framework clearly indicates the urgent need for sustainable community investment programmes and that municipalities have responsibilities to see that available opportunities are properly explored and used at local level (DPLG, 2006b). The next next section explains the research approach for determining the ‘developmental role’.

### **7.3 MIXED METHODS APPROACH**

A variety of methods were used to investigate the role of SBM in urban and regional development. A review was undertaken of available and appropriate documents on SBM, namely the SBM industrial development plan (Saldanha Bay Municipality, 2014), the Municipal report – Western Cape (StatsSA, 2011b), the Integrated Development Plan 2012-2016 (West Coast District Municipality, 2012), the SBM socio-economic profile (Saldanha Bay Municipality, 2015) and a long-term financial plan by a group of consultants (INCA Portfolio Managers, 2015). A focus group discussion was conducted on 26 August 2016 comprising senior representatives of the major economic players in the GSB region and the SBM. The researcher had observational status during the discussions and was also responsible for taking minutes.

The discussion was facilitated by David Joubert, the Senior Manager, Strategic and Enterprise Risk Services of SBM. Discussants representing SBM, ArcelorMittal Saldanha Works, Duferco Steel Processing and the Saldanha Bay Industrial Development Zone (SBIDZ) were present. Unfortunately, representatives of Transnet National Ports Authority (TNPA) and Sea Harvest, two of the major institutions, were absent. The focus group’s attention centred on the strengths, weaknesses, opportunities and threats (so-called ‘SWOT’) of the local economy of the GSB region and on the strategies each institution has in place to grow and retain jobs; how they can work collectively to assist in the social upliftment of the community; and how to support skills transfer between the institutions. The deliberations also reflected on the role of local government in creating an enabling environment for existing firms to operate without too much red tape and how to draw new companies from outside the region to locate in the GSB region to assist in diversifying the economy and to contribute to long-term economic growth. The discussions did not produce all the outcomes and insights that were expected. By using a snowballing procedure other senior managers of the institutions involved in the first round, as well as

those of institutions that were absent in the first round, were identified to take part in semi-structured interviews. Interviews were conducted with officials of the SBM, the SBIDZ, Sea Harvest, TNPA and the Saldanha Bay Business of Chamber. The interviewees were asked to comment on the current political and economic relationships between SBM and the other two levels of government (provincial and national). To determine the degree of local government's resilience, questions were asked about the ability of the municipality to cope, act and adapt to internal and external economic shocks. They were questioned on the entrepreneurial attitudes and successes of SBM. Consequently, the following section examines the role of SBM as enabler of regional development according to the opinions of the focus group, the interviewees and SBM officials.

## **7.4 SALDANHA BAY MUNICIPALITY AS ENABLER OF REGIONAL DEVELOPMENT**

This analysis takes a two-sided look at SBM's role in regional development. First, there is SBM's view of what they contribute to regional development beyond services provision, and then the other side considers the thinking of other important formal institutions in the GSB region about SBM's contribution to an enabling environment for development. This section starts with a brief overview of the socio-economic context of SBM; then documents the outcome of the focus group discussion in the form of a SWOT analysis (tabulated format); continues with SBM's own view of their success in creating an enabling environment for development in the GSB region; and ends with SBM's role in fostering an enabling environment as seen by the representatives of the main economic institutions operating in the GSB region.

### **7.4.1 Geographical and developmental contexts of the Greater Saldanha Bay region**

SBM is a local municipality located within the West Coast District Municipality (WCDM) in the Western Cape province of South Africa. SBM has six main towns (Saldanha, Vredenburg, Langebaan, Hopefield, St. Helena Bay and Paternoster (Chapter 1, section 1.3) under its jurisdiction. The current state of the regional development of the GSB region reflects strong historical and government-led influences. Seen provincially, SBM forms part of the Cape Town metropolitan functional region (MCA Urban and Environmental Planners, 2015). This association offers 'breathing space' or developable space for the fast-growing Cape Town metropolitan area, with affordable land for the establishment of industries, an offer of extra harbour capacity and the provision of leisure space for Capetonians.

The GSB region houses important economic sectors (such as fishing and steel) as well as important government institutions (Military Academy, the Saldanha Naval Base and Special Forces). These sectors are responsible



for more than 50% of all job opportunities in the West Coast region (West Coast District Municipality, 2012). In the WCDM (Saldanha Bay, Matzikama, Cederberg, Bergriver and Swartland municipalities), the SBM is the smallest and accounts for only six per cent of the total geographical area (West Coast District Municipality, 2012). The entire GSB region is 166 566 ha in size of which 0.4% is urban and 99.6% rural land (Saldanha Bay Municipality, 2015). In 2011 Saldanha town just had over 28 000 citizens (Table 7.2). There are several other fishing (St. Helena Bay and Paternoster) and holiday towns (Langebaan) on the coast of SBM. In the interior of the municipality are the towns of Vredenburg and Hopefield.

Table 7.2 Population of towns in Saldanha Bay Municipality, 1996, 2001 and 2011

Main places in the Saldanha Bay municipal area	Population 1996 (%)	Population 2001 (%)	Population 2011 (%)	% increase 1996 to 2011
Vredenburg	21 931 (42)	28 100 (40)	38 382 (40)	42
Saldanha	16 820 (32)	21 640 (31)	28 142 (29)	40
St. Helena Bay	5566 (11)	8104 (11)	11 529 (12)	52
Langebaan	2735 (5)	4272 (6)	8297 (10)	67
Hopefield	4423 (8)	6748 (10)	6460 (7)	32
Paternoster	1067 (2)	1444 (2)	1971 (2)	46
<b>Total</b>	<b>52 542 (100)</b>	<b>70 308 (100)</b>	<b>94 781 (100)</b>	<b>45</b>

Source: StatsSA (2011b)

The growth (45%) from 1996 to 2011 in population of Saldanha without a concomitant growth in the number of available jobs has resulted in a proliferation of informal housing in the GSB region since 1996 and in the number of households that qualify for indigent services (Welman & Ferreira, 2016). The unprecedented growth in the town's population (Table 7.2) put immense pressure on the SBM's budget regarding service delivery. The next section reviews the outcome of the focus group discussion and semi-structured interviews with representatives of SS, TNPA, SH and SBM.

#### 7.4.2 The focus group discussions and semi-structured interviews

The results of the SWOT analysis provide insights into the factors underlying the growth and development trajectories of Saldanha Steel, TNPA, Sea Harvest and SBM, and their overall impact on regional development. Without any reason(-s) Sea Harvest as well as TNPA did not attend the focus group discussion. Although the SBIDZ and Duferco Steel Processing were not part of the case-studies research, David Joubert (facilitator of



focus group discussion) invited them in order to share their insights about the state of regional development. Table 7.3 summarise the results. Follow-up emailed communications and interviews with senior representatives of above-mentioned institutions and the SBIDZ and West Coast Business Chamber all shed further light on the role of the local authority as enabler of regional development and its performances in the social and economic fields.

Table 7.3 Results of the SWOT analysis performed by three major economic players and Saldanha Bay Municipality in the Greater Saldanha Bay region

<p><b>Strengths</b></p> <p>Quality service delivery</p> <p>Significant contribution to gross domestic product</p> <p>Clean audit</p> <p>High employee retention</p> <p>Monetary value of the local economy</p> <p>Ability of main institutions to expand their supply chains of service providers</p>
<p><b>Weaknesses</b></p> <p>Fragmented local economic development</p> <p>Not ready for Saldanha Bay Industrial Development Zone (SBIDZ) and Phakisa project</p> <p>Low levels of collaboration and sharing of a common vision for regional development</p> <p>Increased unemployment and poverty and growing number of indigent households in the Greater Saldanha Bay region due to population growth and inability of main institutions to create additional direct jobs</p> <p>Limited budget for maintenance of infrastructure and real inability to identify place-based economic projects</p> <p>Inability to create a platform conducive to the promotion of social and economic development</p> <p>Inability to create additional direct jobs</p> <p>Insufficient local skills resource base to source from</p> <p>Lack of trust and low level of interconnectivity among main institutions</p> <p>Ageing infrastructure – some sewerage connections too small and cause blockages</p> <p><b>Opportunities</b></p> <p>SBIDZ and Operation Phakisa project – potential revenue source for municipality and job creation opportunities to benefit from oil-and-gas ventures</p> <p>Cumulative impact of wind energy such as the creation of employment and business opportunities during the construction phase, potential of up- and down-stream economic opportunities for local, regional and national economy, and socio-economic contribution to local communities</p> <p>Investment in aquaculture (oysters, mussels and salmon) to create labour-intensive enterprises and boost tourism</p>

Table 7.3 continued overleaf

Table 7.3 continued

<b>Threats</b>
Inability of SBM to shift to an enabling state or to be entrepreneurial and resilient
Inability of Sea Harvest and TNPA to diversify
Autocratic and/or hierarchical decision-making processes of state-owned enterprises and multinational institutions
Sour relationship between ArcelorMittal South Africa and national authorities due to a lack of agreement of government's demand for a developmental price for domestic market on the one hand and the ArcelorMittal's monopoly of flat steel in South Africa on the other
High price of ArcelorMittal South Africa flat steel – detrimental to local distributors and producers
Transnet's high prices for moving iron ore to ArcelorMittal steel plants (Saldanha Steel)
Institutions facing major uncertainties such as weak iron-ore price, flooding by imported Chinese steel products, climate change, uncontrolled inrush of immigrants, increased demand for social services and unabated crime
Increase in price of electricity
The poor quality of artisans and the high number of dropouts among interns at West Coast College

Source: Focus group discussion, 26 August, 2016

The focus group members distinguished the strengths, weaknesses, opportunities and threats in the GSB region. The SWOT analysis also uncovered some possible weaknesses and threats that both industrial and public stakeholders must contend with. Apart from SBM's strong financial position and high services delivery (Joubert 2016, Pers com), SBM is still struggling to identify and establish a long-term programme to enhance a culture of learning (skills development) and it is unsuccessful in following an entrepreneurial path to enable local community members to move to other job opportunities if their current jobs disappear as a result of dwindling fish stocks and overproduction of steel (Welman & Ferreira, 2016). The discussants identified several challenges confronting their institutions, namely their incompetence to address the lack of coordination between them; their inability to prepare Saldanha for socio-economic transformation; and the lack of knowledge, vision and commitment; and poor leadership, especially by the local authority to apply and align their industrial development plan with the real-life issues (high unemployment, low levels of skills and education) of the local communities and those pertaining to businesses (inability to stimulate a high level of industrial relatedness). The local authority can play a much bigger role in guiding the development trajectories of the region and it should proactively establish a sound relationship between all relevant actors at various scales (micro, meso and macro) to share and pool human resources, especially concerning youth development. Due to a lack of sufficient and proper coordinated planning regarding regional development, the industrial and public stakeholders were unable to outline any plans and/or strategies to reduce the high unemployment rate of

28% among the youth (INCA Portfolio Managers, 2015) or to absorb unskilled immigrants into the local economy. In light of these strengths, weaknesses, opportunities and threats, the next subsection turns to SBM's perceptions of SBM's officials about their performance in creating an enabling environment for regional development.

#### **7.4.3. Views about the municipality's contribution to regional development**

According to Barends (2016, Pers com), the Department of Provincial and Local Government's local economic development framework (DPLG, 2006a) makes it clear that local governments are not responsible for creating jobs but that they should invest in soft and hard infrastructures that promote overall economic and social conditions conducive to creating employment opportunities. In 2016 no incentives were being offered by the local authority for prospective businesses to establish in the GSB region. Investigations and introspection are needed about making it more attractive for entrepreneurs to settle and do business in the region (Gaffley 2016, Pers com).

The marked increase (45%) in population of the GSB region from 1996 to 2011, the associated increase in the buying power of citizens, the availability of space for suburban development and the presence of existing private and public institutions in Saldanha and the GSB region have created favourable conditions for the establishment of large retail complexes such as the West Coast Mall (Vredenburg) and Laguna Mall (Langebaan), and the new Shoprite (Saldanha). These are venues for the employment of local communities, so ultimately relieving some of the pressure of unemployment in the region. The Saldanha multi-purpose community centre (at a cost of R45 million) is destined to promote community engagement (Gaffley 2016, Pers com). Apart from SBM's involvement in infrastructure development, social upliftment programmes and partnership building with other spheres of government, the SBM's local economic development efforts are currently following a 'distributional approach' where the local economic development budget is divided among various departments, that is the Office of Municipal Manager, Director Finance, Director Corporate and Protection Services, Director Engineering and Planning Services, and Director Community and Operational Service (Barends 2016, Pers com). This 'distributional approach' will have the potential to hamper the main objectives of the SBM-LED.

A noted strength of SBM is the high rates of provision of basic services, namely water (99.2%), sanitation (96.2%), energy (97.1%), refuse removal (96.5%) and housing (81.8%) in 2013 (Saldanha Bay Municipality, 2015). Opposed to the achievement of these high rates of service delivery is SBM's lack of much success in

establishing an enabling state. A senior manager of SBM has stated that: “The Saldanha Bay Municipality struggles to establish its own authority; to be performance managed; to be accountable, responsive and open, and at the same time cope with national and provincial governments’ expectations around developmental local government” (Du Plessis 2016, Pers com). Another senior manager of SBM pointed out SBM’s lack of capacity to promote an environment conducive to the promotion of social and economic development. He avered that: “Within local governments, specifically the Saldanha Bay Municipality, two questions are often posed: Is it our mandate to be entrepreneurial? and Is it a funded, underfunded or non-funded mandate? While the promotion of social and economic development was the focus of local economic development, no real emphasis was placed on effecting this approach of development” (Joubert 2016, Pers com). He further contended that: “With this said, there is very little appetite to take up the opportunities availed and to derive local benefits through local-government intervention. Furthermore, it is well known that our local government does not focus on enterprise and supplier development” (Joubert 2016, Pers com). Apart from the lack of ability to adapt to changing economic conditions, SBM and the other local institutions face challenges such as inadequate financial resources, lack of access to financial institutions and failure to respond to the 3Es of being economical, effective and efficient in their business strategies and/or transactions. To become entrepreneurial in nature and build institutional capacity will require a paradigm shift from the tradition of providing services to a firm stance on achieving local economic growth and development (Joubert 2016, Pers com).

By establishing a memorandum of understanding (MoU), particularly between public institutions (SBM and state-owned enterprises) and the SBIDZ, SBM has begun a process of collaboration and alignment with the private and public sectors. This engagement has resulted in two important spin-offs. First is the installation of service infrastructure within the SBIDZ and the leasing of TNPA land for the industrial development zone, both of which are well advanced in their implementation. Second, investment of approximately R30 billion over 5 to 10 years are expected. Although the SBIDZ only finances hard infrastructural projects and is not responsible for any soft infrastructural initiatives and/or social upliftment programmes in local communities (Beukes 2016, Pers com), the existing MoU between state-owned enterprises, SBIDZ and local government can provide a platform for the coordination and implementation of social welfare and community-based economic projects. The realisation of the goals of the SBIDZ and the Operation Phakisa project demands urgent development of soft infrastructure such as financial support for potential entrepreneurs, education and skills training programmes and due attention to the high demands in the middle- and high-income property markets. Investment in labour-intensive infrastructure such as roads and demand for commodities and/or services in the process of construction, and the further investment in aquaculture, will directly stimulate labour-intensive enterprises in Saldanha (Barends 2016, Pers com).

The local authority is facing several obstacles that impede regional development such as red tape, strong top-down management and the enforcement of national projects, for example harbour development in Saldanha Bay, the continued overemphasis on delivery of basic services and maintenance on roads and drainage systems. All these hindrances put immense pressure on the income stream of the municipality and obstruct the chances of being entrepreneurial (Koen 2017, Pers com). Saldanha's Executive Mayor voiced the intention of reducing the local authority's regulatory constraints on small, micro and medium enterprises as a key focus area from 2017 to 2021, improving service delivery to support small business and creating an enabling business environment. The vision is to ultimately create an environment that is conducive to economic development (Koen 2017, Pers com). It is evident from the interviews and discussions that SBM remains preoccupied with basic service delivery and is struggling to become an enabling and market-driven institution. The Chapter's focus shifts next to the views of senior representatives of the industrial stakeholders in Saldanha and a senior manager of the SBIDZ on SBM's ability to create an environment that will encourage the promotion of social and economic development.

#### **7.4.4 SBM through the eyes of important institutional stakeholders**

The consensus among the main stakeholders (focus group discussants and interviewees) was that despite SBM's clean audit for the 2014-2015 financial year, the institution failed to move and act beyond service provision.

The Saldanha Bay Municipality is segmented in various departments where some of the departments have capacity and others display incapacity. I am of the view that they have the ability to respond to general service delivery challenges but from an economic development point of view they have limited capacity to deliver. The institution has serious strategic capacity limitations and economic development has not been elevated to a strategic level and is merely treated as an operational issue (Lakabane 2016, Pers com).

A councillor and member of the Saldanha Bay Business of Chamber held a similar view about SBM's inability to economic transformation and restructuring (Pronk 2016, Pers com). Due to budget constraints and an overemphasis on the provision of social services and the construction of basic service infrastructure (water, sanitation and electricity) for the SBIDZ, the municipal budget made no provision for development projects that could secure new job opportunities (Pronk 2016, Pers com). In essence SBM lacks the capacity to identify and drive its own local-based economic projects.

Despite these shortcomings and inabilities, there is a strong relationship involving engagement between SBM and the other three spheres of government, namely the WCDM, Western Cape province and national government (Pronk 2016, Pers com). He added that this one-dimensional and uncoordinated approach to regional development by SBM also characterises the local business chamber's position: "Since 2003 the Saldanha Business Chamber's main objective was to align with heavy industrial companies and pay less attention to its other 180 members ranging from multinational companies to retail traders and low-order functions such as street cafe's (Pronk 2016, Pers com). He avered that a tipping point had been reached and that the time was ripe to think collectively, be entrepreneurial and to engage with all stakeholders (industrial, business and public) (Pronk 2016, Pers com).

Some institutional weaknesses were identified during the focus group discussions. One participant asserted that "businesses don't trust each other, there is a low level of interconnectivity between the region's industrial institutions and there is an inability of young entrepreneurs to take professional advice when doing business" (Beukes 2016, Pers com). Considerable scope exists for greater public and private partnerships to finance urban infrastructure and land development (owned by Saldanha Steel and TNPA) that will not only boost the oil-and-gas and manufacturing sectors, but also improve the well-being of communities through job creation. Apart from the SBIDZ as an oil and gas services complex that includes rig repair, and small businesses will be considered for maintenance, fabrication and manufacturing of oil field equipment and its servicing, as well as logistics support activities – it will also provide additional opportunities in support services e.g. catering, accommodation, financial services which will not be located directly within the IDZ, but are as important as those in the IDZ (Beukes 2016, Pers com).

Grave concern was raised about the inability of to effectively manage its holiday resorts. Pronk (2016, Pers com) explained that

Management has expressed concern over the capability of the staff to manage the resorts, especially the non-collection of fees and inadequate control over overtime worked. By appointing a private operator, it will, by implication, mean that as many as half of the staff would have to be redeployed within the municipality, so defeating the cost-saving objective.

He further contended that given that tourists normally plan and undertake holidays at local resorts, so boosting the local economy, the estimated loss of income at the resorts can be as much as R18 million. It is distressing that given the losses at the local municipal resorts and SBM's institutional inability to deal with the municipality

sticking to a policy of securing jobs for their employees and replacing experienced staff with less experienced appointments. The discussants and interviewees reached consensus that their greatest anxiety is that institutions cannot predict the future and so making them ensure how to deal with internal (e.g. unemployment and dependent households) and external economic shocks (due to various global factors of demand and supply regarding iron ore for example) and environmental changes (due to global warming). The absence of both an enabling state (governance) and a collective engagement strategy for formal and informal institutions in Saldanha town and the GSB region has generated instability and uncertainty, ultimately enhancing silo mentalism (an attitude that is found in some institutions that do not want to share knowledge and/or information, and foster their own interest) among the institutions.

The salient outcome of the discussions and interviews was that economic development does not happen in isolation but needs a comprehensive approach to regional development. For Saldanha and the GSB region to live up to their strategic intent requires that development will be approached as an integrated and inclusive system.

## **7.5 DISCUSSION AND CONCLUSION**

Local authorities, as a subnational tier of government, have been given greater powers to drive regional development in post-apartheid South Africa. This case study has revealed that the targeted local authority is unable to formulate public policies on local realities and/or needs and is therefore unfit to implement sound development initiatives on its own. It is time for SBM to do things differently; to be more responsive to the needs of the local community; and to actively engage in knowledge-based programmes that can assist in the establishment of support mechanisms to foster skills development and entrepreneurship. The various stakeholders in Saldanha town and the GSB region must determine their own place-based development trajectories that suit the needs of the local communities and their service providers by improving human capital (basic education, skills and training), enhancing trust and creating of forward (input) and backward (output) linkages. One way to meet these challenges is for business organisations, in partnership with the local authority, to make significant contributions to research rather than simply making demands on public bodies to improve basic service delivery.

To be an economically successful region – a region with basic education, skills and training programmes as well as fewer unemployed people and indigent households – it is crucial to create improved socio-economic conditions through the attraction of inward investment (more specifically for labour-intensive practices) linked



to existing industries in the region. This must be a long-term process in which the ability to adjust to internal (growing in population numbers, alarming youth unemployment rates, high proportion of indigent households and increased prevalence of informal dwellings) and external economic shocks (dwindling marine resources, oversupply of iron ore and associated products) is given urgent attention. The local authority must play a more direct role in influencing and intervening in the development of lagging towns and their various enterprises while embarking on a corporatist approach whereby people, businesses and organisations collectively function on the basis of their common interests and/or beliefs in creating jobs and improving the socio-economic conditions of their respective communities. Strategies of pooling of resources; engagement and negotiating with financial institutions to provide the necessary financial support for start-up entrepreneurs; facilitation of transferring scarce resources; creation of a business climate conducive to development; and alignment of priorities and actions of each institution and community, will all enhance corporatism.

Different regions require different development strategies in accordance with their geographies and resources. The further development and expansion of existing economic activities such as steel-production capabilities, maintenance and repairs of rig and marine vessels, engineering and fabrication activities, logistic services, fishing industries (especially aquaculture and the exploitation of kelp), tourism, waterfront and harbour development (specifically the oil-and-gas industries) all have potential for establishing labour-intensive enterprises that could bring great relief to human needs in the GSB region. Crucially, the local authority and the major institutions in Saldanha town must find a solid set of strategies for a deeper understanding of their interrelationships and they must use their knowledge and networks to maximise outcomes (increased welfare and regional development). The local economic development division in SBM has to create an environment where all industrial and business stakeholders are sensitised to and convinced of the importance of job retention and the survival of labour-intensive enterprises. Moreover, the municipality should play the roles of connector and facilitator to unlock the GSB region's latent growth potential. Existing potential must be realised. For example, the SBM-owned recreational facilities must be revamped to generate extra income for the municipality instead of being managed as money losers. The outsourcing of the local municipal resorts is the only viable option and/or turnaround strategy for the resorts to operate profitably. The quality of the water in the GSB region must be monitored and policed to sustain a flourishing mariculture industry that creates more jobs. Questions local leadership has to answer are: Why will the GSB region be the preferred location for firm or economic activity when compared to Port Ngqura and the Coega IDZ (or any other port or industrial development zone)? What incentives are offered for locating in the SBIDZ and not in any of the other industrial development zones of South Africa?



In the final chapter, the aim and objectives of the study are revisited. The contribution to local and regional development in a non-metropolitan setting within a country in transition is explained and the implications for theory and practice are stated.

## **CHAPTER 8 FINDINGS, CONTRIBUTION TO DEVELOPMENT THINKING ON A LOCAL AND SUBREGIONAL LEVEL, RECOMMENDATIONS AND LIMITATIONS**

### **8.1 INTRODUCTION**

The fortunes of regions are shaped by what happens within them and by wider sets of relations of control, dependency, competition and markets. A region must not be seen as a tightly bounded space, but as a porous territorial formation (or open system) whose national boundaries are straddled by a broad range of network connections (Amin, 2002b; Coe et al., 2004). Chapter one of this dissertation set out the broader development contexts of Saldanha town and presented the study's rationale. The reviews of the literature on the neoclassic growth framework, endogenous growth theory, the new regional approach, the evolutionary and path dependency concepts in evolutionary economic geography (EEG) and the role institutions (formal and informal) play in regional development, provided the theoretical background to an understanding of the complexities of the development of lagging regions (Chapters 2 and 3). Chapters 4 to 7 in turn reported the findings of four case studies, namely: the role of Saldanha Steel in regional development; the co-evolution of Saldanha town and hinterland and Saldanha Port; Sea Harvest's function as backbone of Saldanha town and the regional economy; and the role of the local authority, Saldanha Bay Municipality (SBM) as enabler of regional development. This final chapter reiterates the overarching aim of the research, revisits the objectives, summaries the salient findings and notes some implications for theory and practice. Thoughts on the contributions and wider significance of the research are expressed. Some limitations of the study are noted and avenues for future research are suggested before a final observation is expressed

### **8.2 AIM AND OBJECTIVES REVISITED**

The genesis of this study of the regional development dynamics of Saldanha town was the issues raised in an article on regional development in South Africa's West Coast (Bek, Binns & Nel, 2004). The article reported on the explicit efforts to engender economic development in the West Coast region. The empirical evaluation indicated that although policy actors<sup>30</sup> were successful in upgrading the institutional infrastructure of the region, the achievements did not result in sustained regional economic growth. They also found a "general lack of

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<sup>30</sup> Local and regional authorities – actors with a first-hand knowledge of the challenges of the business community and the regional conditions for growth.

entrepreneurial culture within the non-White component of the West Coast population and the lack of an effective growth coalition among local institutions to facilitate development” (Bek, Binns & Nel, 2004: 4). The chapter concluded with questions about the regionalist approach to deliver meaningful socio-economic transformation.

The overarching aim of this research was to locate the complex regional development dynamics of Saldanha town and the Greater Saldanha Bay region within the existing literatures and discourses on local and regional development in the subdiscipline of economic geography. This research built on the work of Bek, Binns & Nell (2004) supported by knowledge of how certain economic players (firms), policy actors (local, regional and national authorities) and other institutions (formal and informal) can assist in generating regional economic growth that will ultimately contribute to the socio-economic transformation of Saldanha town and region, the chosen study region (study region).

#### Research objectives:

- (i) To strengthen the researcher’s conceptual base by reviewing the appropriate literature on the complexities of sub-regional development.
- (ii) To investigate the link between industrial development and the expansion of Saldanha Port’s (Transnet National Ports Authority (TNPA)) – since the establishment of the Sishen-Saldanha railway line in the mid 1970s and the role of Saldanha Steel in local and regional development.
- (iii) To describe and map the co-evolution of Saldanha town and the Saldanha Bay Port and to explain how the port-town relationship and/or connection have changed over the years.
- (iv) To analyse the role of the whitefish industry (Sea Harvest) in the local and regional economy.
- (v) To disclose the role of Saldanha Bay Municipality’s (SBM) – the local government – role in the development of the Saldanha town and region.

An evolutionary approach was followed by focussing on the historical paths of three firms to illustrate their contributions to development in the broad economic and social sense. The EEG approach assisted in explaining the evolution of certain sectors of the local economy, the establishment of the major economic players (firms and industries) from entry through their growth and decline to final exit, along with structural changes that occurred over the years in the town and region. Although there are three major foundations of EEG, namely path dependence, complexity theory and generalised Darwinism, this investigation briefly reflected on the first two. The deepening, strengthening and expansion of the EEG approach to institutions has resulted in the re-

emergence of the concept of ‘institutional thickness’<sup>31</sup> and signalled the place of institutions in regional economic change that accommodate individual agency, institutional evolution and inter- and multi-scalar relations (Gertler, 2010). These concepts were used to link the findings about Saldanha town to the existing knowledge and discourse on the role institutions can play in local and regional development.

In Subsection 8.2 the salient findings about the evolution of the three major economic players (firms), their direct and indirect economic impacts and their social responsibility projects, as established in three separate case studies, are succinctly covered. Subsection 8.3 reiterates the case study finds about the role of the local government (SBM) in the local and regional development. Subsection 8.4 discusses the theoretical significance of the study. Subsection 8.5 sets out the study’s contribution to the understanding of the real-life contexts of Saldanha town and the GSB region.

### **8.3 FINDINGS ON THE EVOLUTION, ECONOMIC AND SOCIAL CONTRIBUTION OF SALDANHA STEEL, SALDANHA BAY PORT AND SEA HARVEST**

#### **8.3.1 Saldanha Steel**

Saldanha Steel (established in 1998) is currently in the middle-of-life phase of its life cycle as a firm. The firm has exerted an extraordinary influence over the civic, economic and cultural life of the GSB region. It is an important role player in Saldanha town, the West Coast region and the provincial economy as a large employer, a contributor to the GDP of approximately R5 billion per annum and a significant client of ESCOM with an electricity bill of R750 million in 2012.

Saldanha Steel is the largest consumer of water and municipal taxpayer (R16.5 million per annum) in the SBM area. Regarding social responsibility, the company makes a vital contribution through their ArcelorMittal Saldanha Science Centre that provides extra-curricular support in mathematics, natural science, English and

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<sup>31</sup> Amin & Thrift (1995) define institutional thickness as a combination of factors involving inter-institutional interaction and synergy, collective representation by many bodies, a common industrial purpose, and shared cultural norms and values. Scholars of trust (Berggren & Jordahl, 2006) and social capital (Putman, 1993; Beugelsdijk & Van Schaik, 2005) contend that trusts and social capital are essential elements of institutional thickness. Others have found that communities, localities and regions with a ‘thin’ institutional thickness have a low probability of achieving sustainable economic development (Amin, 1999; Woolcock, 1999; Bek, Binns & Nel, 2004).

the life sciences to learners from 18 local primary schools and five high schools. The latter contribution is appreciable given the existing skills gap in the town and region's population where the other educational institutions (secondary and tertiary) are failing to produce school leavers or artisans that meet the requirements of the emergent and established industrial players. Saldanha Steel has triggered the development of various linked engineering firms in close proximity to the plant. Although the firm has contributed to local wealth, it has also had negative impacts on segments of the economy and civil society. Examples of these negative impacts are the visual and air pollution as well as the attraction of an excessive number of job seeking migrants from the Eastern Cape. Mutualistic relationships – where both entities benefit from this relationship – are not stable at all points in the evolution of the firm and conflicts can disrupt the relationships when the interests among the partners and the community as a whole are different. Saldanha Steel bears evidence of a strong commodity supply chain that benefits both the direct backward and forward linkages between different sectors in Saldanha town's economy.

The contribution (job creation and percentage share in the GDP) of the secondary sector to the regional economy, including opportunities for small entrepreneurs, increased reinvestment in new infrastructure and superstructure development, forward and backward linkages associated with Saldanha Steel and the Saldanha Bay industrial development zone (SBIDZ) all serve as catalysts for further development in the Saldanha Bay region and the fostering of mutualistic relationships. Unfortunately, mega-projects such as Saldanha Steel have created greater expectations than what are realisable. During the construction phase many unskilled labour migrants were drawn into the GSB region but prospects of their finding sustainable employment opportunities during the operational stage were slim. This has produced a gradual regression to economic parasitism in the region where the indigent component of the community has to be supported by other taxpayers in the community. Saldanha Steel is continually challenged by an international market in which strong competition is experienced with major steel-producing countries like China, India, Japan and Korea.

Domestic and international demand for processed steel is in decline (2015 to 2017) and if the international oversupply of processed steel is not reduced in the near future some of the steel-processing plants in South Africa, including Saldanha Steel will have to be mothballed. This illustrates how endogenous structures (local manufacturers of steel) struggle to compete on a global level within which they are also embedded. The oversupply of steel in the global economy is a disaster in the making for the Saldanha local economy (also for

the national economy<sup>32</sup>). The more than 500 direct jobs Saldanha Steel provides and company's forward and backward linkages with other firms in the incipient industrial cluster of the Saldanha town can be endangered.

### **8.3.2 Saldanha town and port: A co-evolution**

The establishment of Saldanha town and the development of the GSB region have always been linked to Saldanha Port's functions (trans-shipment and break-of-bulk operations) and its capacity. Saldanha Port is operated by the national ports terminal authority (NPTA) and is part of the Transnet family – a state-owned enterprise (SOE). Saldanha Port is central to a port industrial complex with inputs mostly comprising bulk commodities exported through the port or receiving crude oil to be distributed into the hinterland.<sup>33</sup> When the co-evolution of Saldanha (town and region) and its port were viewed over the long term (Chapter 5), structural changes in the local economy were traced over space and time. Since 1938 Saldanha town has changed structurally from a small human settlement with small fishing and military quays to a heavy industry port town.

Over the past 40 years the port's specialised infrastructure has been augmented, the port's surface area has been extended and the volume of cargo handled has grown substantially. Unfortunately, this port-related proliferation has done little to positively affect the socio-economic transformation of the various communities in the GSM region. Moreover, the presence of Saldanha Port and its associated industrial activities has impacted negatively on the state of the natural environment. The port-city evolution of Saldanha town has been gradual and largely influenced by regional factors (brownfield activities and cargo overspill from the Cape Town harbour) and national strategies defined by legacies of institutional frameworks, policy regimes, regulatory practices and political struggle. Port development has responded over time to industrial decentralisation, the Sishen-Saldanha railway, the SBIDZ and the oil-and-gas service centre. The port infrastructure has had to adjust to variations in the local, regional and global contexts. Consequently, the port-city interface and the port's hinterland have been transformed. Saldanha Port is a concentration of infrastructure purposely assembled to export iron ore and to import oil and gas. The types of traffic accommodated, the cargo handled and the services rendered by Saldanha Port do not necessarily assure positive port and regional performance, although the

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<sup>32</sup> The steel industry in South Africa is a strategic industry for the national economy and in Africa because of the absence of other steel production capacity in Africa.

<sup>33</sup> Concomitant with the trans-shipment and break-of-bulk functions (crude oil and iron ore) and the associated activities in the industrial areas adjacent to this port are negative externalities (noise, pollution and visual blight) that can deter further economic diversification and development.

linkages with the adjacent SBIDZ and the overflow of ‘dirty cargo’ from Cape Town Harbour hold potential. Unfortunately, formal and informal linkages between port activity and other local economic activities are limited. Saldanha Port has only paid approximately R62 million to SBM for the provision of electricity, and water and in taxes in 2014/2015. This amount is a drop in the ocean considering the large land and sea surface area of 19 300 hectares the port occupies at a prime waterfront location. The port contributes to the economic base of the local economy but given its size and negative externalities<sup>34</sup> the benefits to the local economy are limited. In 2018 the role of Saldanha Port will be extended to include the purpose-built oil-and-gas service centre.<sup>35</sup>

The port and town have to a certain extent become detached since the establishment of the Sishen-Saldanha railway and the iron-ore jetty (1974 to 1976). Furthermore, most of the port activities have evolved away from the central business district (CBD) of Saldanha town and farther into the bay to bring about an enclave type of development. Although Saldanha Port is functioning well, there is little convincing evidence that the port will have strong, spontaneous positive impacts on port-town relationships and hinterland connections. Despite growth in industrialisation, the deepening of the port and the improvement of port infrastructures, the socio-economic context of Saldanha town and the GSB region have deteriorated since the mid 1990s. Saldanha town appears to be a passive receiver of new infrastructure and flows of migrants. Moreover, the town’s welfare often depends on decisions made in the higher echelons of government without due respect to the local contexts of Saldanha town and its residents. The town’s image already tainted by the presence of the steelworks and the pervasive red dust of the iron-ore export activities, is destined to become further immersed in its ‘industrial’ appearance by serving oil rigs on southern Africa’s west coast. The future of the local economy of Saldanha town is subject to the re-establishment of its connection with its port, the envisaged new economic activities associated with the oil-and-gas service centre and the establishment of a port-town development authority to replace the existing inadequate institutional framework.

### 8.3.3 Sea Harvest

Commercial fishing is part of the local and regional identity of the GSB region. Sea Harvest fills the role of an economic backbone of a relatively small coastal economy. Sea Harvest is a strong, vertically integrated company operating within a layered institutional context which includes both formal and informal organisations

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<sup>34</sup> Beyond the scope of this research.

<sup>35</sup> Construction of the oil-and-gas service centre commenced in August 2015.



and institutions. Saldanha town's commercial hake context is characterised by nested systems or linkages where the physical realm (Agulhas Bank with its rich and biodiverse marine resources and the Saldanha Bay deep natural harbour), the economic value and popularity of white fish among consumers (growing international and local markets) and the social environment (fishing tradition of the local community), all decisively contributing to Sea Harvest's survival. For more than 50 years Saldanha town and the GSB region have sustained a strong relationship with the commercial hake industry through the presence of this resilient player. The company currently (2017) is a job retainer and not a creator of new jobs, but it has played (and still plays) a vital role in economically tough times when other regional economic activities have been in decline. Sea Harvest is the largest employer in Saldanha town, the GSB region and West Coast District Municipality (WCDM) area where it has sustained more than 2000 permanent jobs over the last 10 years and at least 25% of all households in the GSB region have benefitted in many ways from their involvement with the company. Its presence is felt in the local and national socio-economic context through the financial contributions to local and national authorities (as direct and indirect taxpayers); shareholding and dividend schemes; corporate social responsibility projects; capital and operational expenditure; and its contribution to the region's share of GDP. Unfortunately, the local hake fishing industry facing some serious challenges. The health and future of the company are based on a natural marine resource that is limited regarding its recovery capacity, seasonal variability and uncertainty about how climate change will affect the hake fishery, as well as issues in a volatile political setting (future fishing rights allocation will be renewed in 2020 that may possibly fragment the hake industry) that add to the uncertainty. It is important that institutions (economic players and policy actors) in Saldanha town that are involved in the management of deep-sea hake trawling industry show adaptive capacity to help cope with these uncertainties and complexities. Controversies over climate change and interruptive political influence complicate planning for and investment in new fishing vessels, the expansion of existing superstructure (production plant) and the possibility of creating new permanent jobs.

#### **8.4 FINDINGS ON SALDANHA BAY MUNICIPALITY AS ENABLER OF TOWN AND REGIONAL DEVELOPMENT**

Contributions to the debate on institutions and economic development confirm the constructive role of national, regional and local governments in shaping the patterns of development. Place leadership plays a significant role in the economic growth of regions, but what really matters is leaders with the capacity to act. In the post-apartheid South Africa local authorities, as a subnational tier of government, have been given greater powers to drive regional development. In the case of SBM the major firms (economic players) in the local economy

have expressed consensus that the local authority is unable to formulate public policies to tackle local socio-economic realities and is unfit to implement sound development initiatives on its own.

The representatives of the main players verbalised their frustrations with the absence of capacity to certain departments of SBM and lack of delivery on various policies and plans. The local municipality's inability to manage the public leisure resorts as profitable assets – they cost the local taxpayer more than R18 million per annum – was fiercely criticised. The local government lacks the capacity and national financial support to deal with a variety of stumbling blocks most of which (formal and informal institutions) are beyond their own locus of control (Table 8.1).

Table 8.1 Constraints on local and regional development in the Greater Saldanha Bay region

Level at which constraints occur			
Local	Regional	National	International
Local development policy and plans are without financial budgets to realise goals.	Saldanha Port is the 'back yard' for the Cape Town region. Heavy industrial activities move away from the Cape Town harbour to settle in Saldanha Port. Although, this carries negative environmental externalities, it can bring new economic opportunities to Saldanha town.	National Development Plan (2012) prioritise the National development and income for treasury above local developmental issues (socio-economic transformation of the poor residents in the region).	International fisheries conventions and Marine Steward Council (MSC) ecolabels limit fish extraction with positive and negative effects. MSC Eco labelling process is very expensive for developing countries and small right holders.
Pollution: visual, air and water		Vocal national government. Mega infrastructure projects create high expectations.	Chinese economy is cooling down and they are flooding the world with their inferior steel products.
Limited freshwater resource		South African economy is in recession and suffers under 'state capture'. Cannot afford to protect the domestic steel industry.	Global overproduction of steel.

Table 8.1 continued overleaf

Table 8.1 continued

Level at which constraints occur			
Local	Regional	National	International
Expensive electricity		Transnet is the Big Brother – controlling the largest land surface area in town (waterfront area, back-of-port and leasing land to the SBIDZ). Government controls all permit licences (cargo handling, fishing permits).	Lower global oil price temporarily halts the exploration of oil off the south-west coast of South Africa and limits operational activities of the oil-and-gas service centre at Saldanha Port.
Local community's strong connection to the fishing industry creates resistance to industrial transformation and advancing of new higher skills level Lack of learning culture – high drop out from schools. Limited skills base of workers. Limited capacity of educational institutions		Transnet prioritise Coega's IDZ and Ngqura Port. ArcelorMittal (Saldanha Steel's parent) has been under political pressure to provide steel at a discounted price for infrastructure development in South Africa	

Source: Focus group discussion

The constant influx of new unskilled job seekers into the GSB region is constraining local firm's ability to act more entrepreneurially. Focus group discussants agreed that it is essential for SBM to do things differently; to be more responsive to the needs of the local community, and to actively engage in knowledge-based programmes to assist in establishing support mechanisms to improve education on all levels, foster skills development and entrepreneurship. It is vital to attract inward investment specifically for labour-intensive practices linked to existing industries in the region. The local authority is failing to move beyond its role as provider of basic services.

Despite increased industrialisation (Saldanha Steel and the SBIDZ), the deepening of the port, the improvement of port infrastructures and the resilience of Sea Harvest, the socio-economic conditions of Saldanha town and the GSB region have deteriorated since the mid 1990s. The local and regional economies are embedded in the National Development Plan (The Presidency, 2012), the Cape Town Functional region and local geographical contexts (physical geographical factors and human capital) and a local government that is ill equipped as an enabler regarding its capacity and budget. Saldanha town and region appear to be passive receivers of mega infrastructure projects (Sishen-Saldanha railway line, multi-purpose cargo terminal, oil-and-gas service centre). The SBIDZ and Operation Phakisa create optimistic expectations of thousands of jobs but do not deliver the promised economic growth or new jobs. The local government has to plan and provide services and housing in an environment where the target population numbers can change almost overnight. These realities call for local government with a strong adaptive capacity, which, alas is sadly lacking.

## 8.5 CONTRIBUTIONS TO UNDERSTANDING REGIONAL DEVELOPMENT

The conceptual base or theoretical foundation of this study was provided by reviewing the literature on the so-called ‘classic’ and ‘new’ regional approaches<sup>36</sup>; endogenous growth theory; the role of institutions (formal and informal) in local and regional development; and evolutionary economic geography. An evolutionary approach served as the analytic lense through which the main economic players (firms) and the local government’s (policy actor) role in the town and region’s development were evaluated. The four case studies were purposively selected because their subjects are big employers in the local economy, their visual footprints are prominent in the town (and region) and they represent different types of firms embedded in layered and/or multiple institutional arrangements or so-called institutional architectures. Saldanha Steel is part of a transnational family; Saldanha Port is a state-owned enterprise (burdened by historical legacies and now captured in preferred political connections); Sea Harvest is a private company that forms part of Brimstone (Pty) Ltd. (a Black-owned investment company domiciled in South Africa); and SBM is the local authority (a bottom feeder regarding hierarchical decision-making about future development of the region).

All four actors are important players in the local and regional economies. In evaluating the study’s contribution to the existing knowledge, it is worthwhile remembering Florida’s (1996: 332) caution that “simplistic metaphors of regional growth and decline, which served theory so well in the past, can no longer account for

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<sup>36</sup> Some proponents of a new regionalism advocate that the economic and democratic deficit in less-favoured regions may be revitalised by fostering a series of interacting social, economic and institutional networks.

the full richness of regional economic transformation – an ongoing, evolutionary process in which many, varied outcomes are possible.” The assessment of the knowledge gained and the improved understanding of the complexities of the regional development of Saldanha town and region draws on traditional and contemporary scholarship on the factors determining the development and economic growth of regions. Hägerstrand’s (1975) idea of stressing the importance of contextualisation prompted the convention in this study of conceiving space as an *arena* rather than as a system of isolated regions or of aggregated categorical variables. Here the arena is seen as part of a larger totality, ‘a battlefield’ for endogenous and exogenous forces and consequences within and sometimes outside the arena. Application of an arena perspective to regional studies means a change from an inventory focus (traditional or old regional approach) to one on conflict and power relations (new regionalism). The following five subsections in turn revisit five theories or approaches used to explain regional development so as to establish links between the findings of the case studies and existing knowledge in this field of study.

### **8.5.1 Neoclassic growth framework**

According to the proponents of the neoclassic growth framework the achieving of economic development was mainly a matter of investing in physical capital. Differences in output and in the promotion of economic growth could be explained by differences in stock and level of investment in infrastructure. Saldanha town and region boast world-class infrastructure, namely a port-industrial complex with inputs and outputs comprising bulk commodities imported or exported through the port. The original connections between port, town and region have weakened since the establishment of the iron-ore railway line between Saldanha town and Sishen. This railway link confirms national government’s ideas and vision of an industrial development path for the region. The economic spill over effect between Port and town (and region) is limited.

### **8.5.2 Endogenous growth theory**

Endogenous growth theory holds that economic growth is primarily the result of endogenous and not external forces. The theory further considers that investment in human capital, innovation and knowledge are significant contributors to economic growth. Investigation of the three main economic players showed that a greater investment in human capital (education at all levels) can play a major role in advancing the limited skills base of the local population. Unfortunately, the local and regional economies of Saldanha town are not limited to endogenous factors but are deeply embedded in external forces. These include the global oversupply of steel, lower world oil prices that prevent oil exploration along the south western coast of South Africa; and the

operationalisation of the proposed oil-and-gas service centre in 2018. Moreover, international conventions on deep-sea hake fisheries and changes from bulk cargo refers to container ships are realities. The regional and local economies have little control over these features.

### **8.5.3 New regionalism**

In contrast to the ‘old’ regional approach that was seen to be descriptive, isolationist, static and theoretically bankrupt, the new regionalism approach refers to the impact of the nature and intensity of social relations on regional diversity. In new regionalism the differences in industrial organisation stemming from cultural and social structure diversity determine which regions will prosper and which will not, as well as the development dynamics and directions of development they will have. Although the cultural and social structure of places and regions cannot on their own explain all the development complexities, they have played a very significant role in Saldanha town and region where more than 50% of the local community members are Afrikaans speaking, have strong links to the fishing culture and tradition, display a lack in entrepreneurial culture in general and according to the latest available census (2011), they have a general lack of higher skills and higher levels of education.<sup>37</sup>

### **8.5.4 Institutional approach**

Institutional factors have been recognised as important in shaping places, the so-called ‘rules of the game in a society’ that shape and constrain the behaviour of economic agents and the long-term economic performance of places. Since the early 1990s a considerable body of literature has grown on the role of institutions in development and regional development. Table 8.2 summarises the institutional dynamics and revisit the concepts of institutional thickness, institutional structure, institutional arrangements and the correct mix of institutions. In relation to economic development at different spatial scales, important questions remain concerning: the definitions of institutions and their manifestations and configurations in different geographical contexts; the existence and character of causal linkages between institutions and economic development in specific spatial settings; the causes and impacts of disruption, instability and restructuring of institutions over space and time; and specifically the role of institutions in economic development at the local level (Pike, Dawley & Tomaney, 2010). In order to characterise the institutional thickness or thinness of the Saldanha town

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<sup>37</sup> According to the latest national census (2011) only 26% of the population has attained a grade 12 at school level and only 10% of the population have post-secondary education.

and region, it is fitting to reflect on how the formal and informal institutional architectures have constrained or enabled the main economic players to perform and what the local government's contributions are to regional development. The study revealed that there is no thinness of formal institutions in the town and region – maybe too much institutional thickness as characterised in Table 8.2.

Table 8.2: Existing knowledge on institutional dynamics and their support of the economic activity and growth of places

Concept	Description
Institutional thinness (Amin, 1998)	Institutionally thin environments end up controlled by elites, resulting in 'institutional sclerosis.'
Institutional thickness (Amin & Thrift, 1995)	Some places developed because they are 'thick' with institutions that promote growth and provide numerous pathways to development. Places with a greater number of institutions are more likely to succeed than places where institutions are 'thin' or lacking.
Too much institutional thickness (Bennett, 1998; Yeung, 2000)	Involves agencies and government entities 'crowding' each other out and distracting growth efforts.
Institutions have a systemic dimension (Hall & Soskice, 2001)	Institutions form systems that are territory specific.
Locally distinctive and evolving, multi-scalar institutional architectures (Gertler, 2010)	Institutional configurations may be temporary accomplishments that are fleetingly appropriate and effective in delivering particular desired outcomes only if they coincide with other factors such as international and national economic conditions, political support and adequate resources.
Institutional structure (Rodríguez-Pose, 2013)	What type of institutions are present, how are they organised and what are their size?
Institutional arrangement Rodríguez-Pose (2013)	How well do the institutions relate to each other and are they fit for the purpose of the wider community? Local institutional arrangements enable localities and regions to embark on a sustainable road to economic development.
Institutional effectiveness Rodríguez-Pose (2013)	Effectiveness of institutional arrangements – not about too many or too few but about the 'correct mix' of effective institutions.

There is a variety of formal institutions operating at national, provincial and local level that directly influence the development of Saldanha town and region. Worth mentioning are the Saldanha-Northern Cape development corridor; National Development Plan; spatial development initiatives – SDIs; presidential priority development regions; the Saldanha Bay industrial development zone; Operation Phakisa; the Cape Town metropolitan functional region; the spatial development framework of Saldanha Bay District Municipality; and a series of



fishery commissions, institutions and conventions on the management of international fisheries as well as deep-sea hake trawling on the Agulhas Bank. When considering the informal institutional make-up of Saldanha town and region it is clear that fishing has been part of the everyday life, culture, individual habits, group routines, social norms and values and identity of the local population of Saldanha Bay (town and region). Unfortunately, an absence of boat ownership by the local fishermen deprived them as well as their immediate households from making a decent living from the sea. The three waves of job-seeking migrants from the Eastern Cape – all directly linked to the announcement of the three major industrial developments (Sishen-Saldanha railway, Saldanha Steel and the oil-and-gas service centre) have negatively impacted on the social cohesion of the GSB region's community, insiders from the region felt that the local population have to be first in line for any new job opportunities. The toothless memorandum of understanding (MoU) between Saldanha Port and the local municipality, as well as the 'voices' of the main economic players in the region (focus group discussion), signalled a low local capacity to embark on collective action to grow the economy or to fast-track socio-economic transformation so dearly needed. Moreover, socio-economic inequalities, epitomised by more than 30% of the households in the SBM being classified as indigent, limit the opportunities for individuals to improve their well-being. Finally, political fragmentation over the last two decades of the main political parties (the Democratic Alliance and the African National Congress) that compete every five years in the local government elections, has precluded any long-term vision by the municipality and disrupted the stability in the management of the region.

The major economic players (firms) act as capitalistic silos that are primarily profit driven and they have to survive in a global economy. Also, the local government has failed to engender a concerted development effort to assist in socio-economic transformation. What Saldanha town needs is a correct mix of effective institutions and in this regard the importance of good governance structures cannot be overemphasised. The local scale analysis of Saldanha and GSB region has provided a fruitful lens that showed how institutions seek to structure and shape the agency and relationships of economic players (actors) and the role of extra-local relations and processes in establishing and conditioning how institutions operate, adapt and cope with change or how they can be disrupted in the context of uncertainty (global steel price or climate change regarding the capacity of the hake fishery). The necessity for the skills and capacity of elected leadership to be built through coaching and training, the vital role of political influence (negative or positive) and the capacity of a region to shape its own future must never be underestimated. Although, this research has confirmed that institutions do matter in regional development, Martin & Sunley (1998: 220) have reminded us that "economic geographers must not be seduced by an institutional foundationalism which excessively privileges 'non-economic' institutional explanations of spatially uneven economic growth." The ways how institutional arrangements change and

shape the evolutionary paths of economies over time and space and how economies influence institutions are under researched (Tomaney, 2014).

### **8.5.5 Evolutionary economic geography**

EEG is helpful in interpreting, explaining and understanding how economic landscapes change. Economic development within an EEG approach is considered contextual, being based on the geographical past and current circumstances. EEG applies three major theoretical foundations, namely generalised Darwinism, complexity theory and path-dependence theory. Although, Martin & Sunley (2006: 8) view the economic landscape as an open system that evolves in ways shaped by its past development paths, they alert us that the “assumption is by no means unproblematic – there is the problem of defining what it is about regional economies that follow a path dependent trajectory of development – the region’s firms, its industries or the regional economy as a whole?” An open notion of path dependence is advisable that allows for continuous adaption and mutation of technologies, industries and regional economies (Martin, 2010).

Saldanha town is locked into a tight relationship between its Port (oil, gas and iron ore), the local government and two industrial sectors, namely steelmaking and fishing. This study adopted an evolutionary approach for the analyses of three major economic actors – Saldanha Steel, Saldanha Port and Sea Harvest – in the local and regional economy. History and geography does matter in the evolution of the Saldanha’s economic landscape. The greatest asset of the local and regional economy – and dominant economic player – is its deep natural harbour that has evolved over the last century from small fishing and military quays to a multipurpose Port today. The co-evolution of Saldanha town and its port reveals a change in relationships with historical connections and social relationships becoming more distant and weaker. Major infrastructural and industrial developments (also linked to Saldanha Port) set the foundation for industrial development in the region, but they were also responsible for creating an industrial path dependence that constrained tourism developments. The town and regional economy has experienced gradual structural change over the last 40 years – from production-orientated primary activities (agriculture and fisheries) toward more capital-intensive secondary activities such as steel manufacturing, fish processing and other import and exporting activities (iron ore and crude oil). By 2018 Saldanha Port will have an oil-and-gas service centre to possibly assist in ‘new path’ creation, or it can be seen as ‘related variety’ development because Saldanha Port already handles the import of crude oil. While Saldanha Steel fits into the national government’s vision of an industrial path (or cluster) the Saldanha town and region, there is a possibility that the current global steel context can bring the firm’s short lived path of only 19 years to an end. But given the strategic importance of the steel industry for South

Africa's infrastructural and super-structural development (as well as the African continent's), the provision of some sort of lifeline for this firm in future is conceivable.

The evolutionary path of Sea Harvest, the economic backbone of the local economy, is equally significant. Here too geography and history matter. Recall the proximity to the biodiverse Agulhas Bank, the harbour deep enough to land hake from deep-sea vessels and the community's long fishing tradition. Sea Harvest is a powerful vertically integrated company; it functions in a layered institutional context; has an operating history of more than 50 years in the Saldanha town's economy; and is the biggest employer in town. Furthermore, Sea Harvest is a resilient player and it has shown a strong adaptive capacity to survive substantial changes in the fishing industry, like novel fishing gear, exponential increases in fishing effort, introduction of fish-processing methods and large factory ships. These are currently challenged by uncertainties, such as the effects of climate change on the productive capacity of the deep-sea hake fishery and the fragmentation of future fishing-holder rights under the political caprices of the national ANC government.

Section 8.4 has given a lengthy summary of the research's links to regional development complexities, as revealed in the four case studies of Saldanha town and region, to exogenous growth theory, the new regionalism approach and the role of institutions in regional development. Also, the usefulness of EEG in reading and understanding the regional economic landscape – how it evolved over historical time, the processes that drive economic evolution and the reality that geography matters – was recounted. The salient findings were reported on the evolution of three different types of firms (Transnet (state-owned enterprise); Saldanha Steel (multinational) and Sea Harvest (private)) embedded in different institutional architectures, their contributions to regional development in a developing country and how the local government (SBM) is struggling to act as an enabler of regional growth. Unfortunately, in Saldanha town and the GSB region, the national contexts shape the institutional environment and arrangements within which economic development at the local level is pursued and by whom. It emerged from the case studies that there is a need for the facilitation of economic development that integrates national, regional and local planning through the formation of partnerships that coordinate planning between localities that are part of a wider functional economic region. Important here is the extent and nature of decentralisation within government and governance systems. Between the centre and local levels, powers can be reserved, shared and decentralised and especially the access regarding resources (back of port land, fish holder rights and future exploitation of oil) can be centrally controlled but subject to local discretion.

In the next section the contribution of the study to the real-life contexts of Saldanha town and region is discussed.

## **8.6 CONTRIBUTION OF THIS RESEARCH TO THE REAL-LIFE CONTEXTS OF SALDANHA TOWN AND THE GREATER SALDANHA BAY REGION**

This section presents the insights gained from the literature and how the findings and/or insights of the four case studies can make a difference to the economic and social contexts of Saldanha town and the GSB region. The chapter conclude with some limitations of the research and suggestions for further research. The existence of economic players and public actors is critical for the survival of communities and for keeping economies alive. Economic players and public actors depend on the continual support (knowledge inputs) and resources (labour) from society. The over-emphasis of industrial policies as guiding tools for regional development and the neglect of the role of other economic sectors in town development have affected the development trajectories of Saldanha town and the GSB region. It is crucial that the regional economic base be diversified and alternative economic opportunities promoted which are less dependent on external factors of economic fluctuations. SBM and developers must find a balance between the promotion of industrial growth on the one hand and preservation of the other opportunities and potential for tourism development.

*Recommendation (1):* The vital assets of Saldanha Bay with its Ramsar wetlands site and other critical biodiversity areas must be protected and negotiated prior to further industrial development taking place.

Despite the remarkable impacts that Saldanha Steel has had on the community and the local economy (establishment of backward and forward linkages), the advent of Saldanha Steel in 1998 created expectations among unskilled job seekers, especially from the Eastern Cape, so prompting migration to Saldanha town and the GSB region. Existing and new immigrants put immense pressure on the oversaturated local labour market and on the limited income stream of the local authority for providing basic services. The SBIDZ and Operation Phakisa will undoubtedly continue to spur this influx of migrants with no dedicated strategy and/or solution in sight for absorbing them into the local market and economy or accommodating them in Saldanha town and the GSB region.

*Recommendation (2):* Develop a dedicated strategy to settle and absorb immigrants into the GSB economy, provide appropriate education and training to upgrade their industrial skills to strengthen the existing skills base

or relocate migrants back to the Eastern Cape by providing incentives (national government funded) to return to their home province.

Despite the MoU between the SBM and Transnet National Ports Authority (TNPA) to meet four times a year – to resolve conflicts and discuss issues of mutual interest – the latter partner is bounded by the hierarchical rules of the game of its national superiors. The port-town connection has become weaker since the early 1970s. Saldanha Bay Port prioritise national interests and is unwilling to privatise and diversify. To make matters worse this state-owned enterprise does not take responsibility for all the negative externalities (tainted industrial image – visual, water, and air pollution) that is linked to its industrial port operations. Transnet is also the landowner of a large vacant waterfront area – this prime and very valuable land acts as a buffer and prevent other ‘greener’ or ‘blue’<sup>38</sup> type developments.

*Recommendation (3):* Transfer this land with development rights to the SBM. Use this area for a mix use development – that reconnect Saldanha town and port.

*Recommendation (4):* Establish a port-town development authority that will replace the inadequate institutional framework that currently exists. The sole responsibility of this authority should be not to resolve conflicts of interest but to work towards the prosperity of the local economy and especially the creation of sustainable jobs.

*Recommendation (5):* Take a long-term view on innovation systems and career development of their citizens. The role of education, training and development of human capital become paramount as a first priority and to think beyond steel production, handling iron ore export, crude oil imports and exports. Main actors (private and public) in GSB have to work together to build resilience among local community members where advance skills can enable people to move to other job opportunities if their current jobs disappear (as a result of dwindling fish stocks, over production of steel, over exploitation of oil).

*Recommendation (6):* Saldanha Bay Port has to improve its external communications to sustain local support for its port functions. An essential element in this regard is access to and transparency of port information, the provision of annual reports and flow of communication about future development plans.

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<sup>38</sup> Tourist hotels, restaurants and water-based recreation activities.

Sea Harvest is the largest employer in the GSB region and in the West Coast District Municipality (WCDM) and although it is a resilient job retainer, it is not creating new jobs nor it is diversifying. Currently (2017) more than 60% of South Africa's deep-sea trawling industry is black-owned and acts as a good example for transformation in the post-apartheid South Africa. Senior staff members represent Sea Harvest in the South African Deep-Sea Trawling Industry Association (SADSTIA), but for whatever reasons there is no place for participation by the employees in this institution. Since its establishment in 1964, Sea Harvest's management has not succeeded in developing a broader framework of participation and the more equal sharing in the means of production. The capital-intensive nature of deep-sea hake trawling deters the smaller fishing companies to be involved. Worker unions spoke out against any future transformation that will fragment the industry and prevent the current firms (economic players) to retain their existing job opportunities, according to them new fishing right holders will only benefit those who are politically connected.

*Recommendation (7):* Include employees (factory workers and fishermen) into SADSTIA decision making structures – they will bring valuable insights owing to their experiences on the ground (factory workers) as well as at sea (fishermen).

*Recommendation (8):* Retain the use of long-term access rights to hake fishery to provide a secure platform for investment in appropriate technology innovation and to incentivise responsible fishing.

*Recommendation (9):* View climate change as a reality, adapt fishing quotas within the recovery capacity of the hake fishery. Consistently innovate hake processing technology and production methods with the emphasis on high value products.

*Recommendation (10):* Take cognisance of the historical and cultural links of the local community with the fishing industry and fill future positions with 'insiders' from the community.

Despite the powers given to local authorities to drive regional development in post-apartheid South Africa, SBM has failed to formulate and introduce policies for improving the real contexts of Saldanha town and region. Instead, they have been trapped in an exogenous-induced industrial path and they have not laid a foundation for collaboration between all the relevant economic players, including private firms and state-owned enterprises in Saldanha town. Also critical is the incapability of the local municipality to progress from an active state of providing services to an enabling state as facilitator between a variety of economic players to create an environment that is conducive to social upliftment and fosters entrepreneurial activities that can provide new

employment opportunities. For Saldanha town and the GSB region to grow economically and to provide a liveable socio-economic milieu, they need capable leaders to guide at a level that assists socio-economic transformation, which will provide more permanent jobs in a more diverse economy; they must build the capacity of their current human capital by investing more capital in education (from pre-primary to tertiary level) to develop a strong skills base appropriate to the type of industries that operate in GSB (related industrial variety); and they should provide investment incentives to draw a correct mix of economic players that will assist in diversifying the economy.

*Recommendation (11):* Re-engineer the Saldanha Bay Chamber of Business, where local economic players and actors can learn to trust each other, to facilitate knowledge exchange and innovation. Strong social capital bonding between local economic players can assist in working towards a bigger vision – a better Saldanha for all its citizens – beyond the normal silo outlook of every firm for its own profit.

*Recommendation (12):* The role of the local authority to coordinate and/or facilitate all development projects (provincial and national) earmarked for the GSB region is paramount. Not only in the case of large infrastructure and superstructure projects but also future developments that will have a direct impact on the social fabric of the local community as soon as they are announced.

Saldanha town and the GSB region with their characteristic low level of related variety lack a collective driving force by economic players and public actors to encourage research and development. Because new sectors can grow out of old sectors, the traditional economic activities of Saldanha town and the GSB region can provide a platform for such evolution and this will expand the life cycle of some of the existing economic activities. It is pivotal in the context of Saldanha town, the GSB region and the Cape province that economic players (firms) and public actors form a synchronised system that provides the appropriate skilled and unskilled labour, capital and knowledge diffusion for existing and future economic activities. A refocusing and resurgence of traditional economic sectors is essential to the retention and creation of jobs in the GSB region.

*Recommendation (13):* Invest in research in innovation to keep existing firms competitive and to grow in related variety (firms that fit into the incipient industrial cluster but also diversifying the current supply of industrial activities).

The three spheres of government, each with its distinctive state-owned enterprises, must reconsider their approaches to development, namely the inward approach where the needs of people take centre stage and the



state-driven approach of neo-liberalism. Effective intergovernmental relations and strategies can minimise the existing tensions and challenges between the two approaches. Can they find a middle ground where the local authority (as the owners of land and assets) retains the prerogative to drive the regional development process from a market-driven perspective while acting sensitively to the needs of the vulnerable part of local society? That is a more people-centred perspective. The pursuit of economic growth and the absorption of the unemployed into the local and provincial economies depends on improving education outcomes, providing opportunities for youth development and diversifying the economic base through industrialisation while simultaneously expanding and nurturing traditional economic sectors.

The SBIDZ, Operation Phakisa and the oil-and-gas service centre with their respective development agencies have built a platform for facilitating the alignment of local, provincial and national partnerships of growth and investment promotion. SBM's proposed resurgence and reprioritisation of its local economic development (LED) has the prospect of exploring and exploiting the presence of the mentioned projects and state-owned enterprises in Saldanha town. Although the industrialisation of Saldanha town through the SBIDZ and Operation Phakisa is a laudable aspect of the regional development process, more has to be done to especially address the socio-economic needs of the poor and strong measures and/or structures must be put into effect to oversee regional development through the monitoring and evaluating of each facet of development.

As part of broader regional development, local authorities must create their own entrepreneurial projects and become less driven or forced by national authorities, so enhancing their own objectives while further realising those of national projects. SBM therefore needs a new way of economic thinking to bridge the gap between local initiatives and those of national government. In addition, SBM must tap into the Western Cape Government's provincial economic development agenda of supporting sector-specific initiatives and 'game changers' such as introducing high-speed broadband Internet; investing in aquaculture; fostering entrepreneurship and business development; boosting the tourism industry; and setting up the oil-and-gas service centre, all aimed at creating jobs and stimulating economic growth.

National government must become an indispensable partner in releasing the pressure of unemployment, reducing poverty levels and finding measures to diffuse growth to identified towns such as Vredenburg and Saldanha, but also to lagging towns in the region. Therefore, all spheres of government must have a deeper understanding of the urgent needs of people and businesses on the ground before introducing market-driven approaches. Regional development is a collective approach driven by government authorities (three levels) and all relevant actors to respond to market demands along with the socio-economic upliftment of communities.

Local, provincial and national authorities may have the best policies and frameworks for collaborative governance and the means for consensus-building in place, but it is incumbent on them to have the courage and political will to drive, monitor, evaluate and analyse regional development efforts. Although collaboration between all spheres of governments depends on intense and interdependent relationships and exchanges, it also needs "...new ways of behaving, working, managing and leading" (Van Niekerk & Bunding-Venter, 2015: 13). The greatest test facing the local, provincial and national authorities is finding effective ways of integrating various economic sectors, public departments as well as rural and urban spaces in an integrated economic growth strategy for the province as a whole.

SBM, more particularly TNPA must redefine their roles in town and regional development. With the necessary inputs from SBM, the private sector and service providers, the state-owned enterprises might be in a strategic position to set up a new business model which makes provision for firms to collectively share in the business opportunities of Saldanha Port and other main ports in South Africa. By placing emphasis on local and/or place-based development, TNPA has to transfer the vacant land in the back-of-port area to SBM for mixed development. The ports of Saldanha and Cape Town can function as an integrated port system that shares and attracts more forward and backward linkages, consequently engendering stronger economic growth. The re-establishment of connections between the ports of Saldanha and Cape Town, as well as between local, provincial and public authorities and the establishment of new economic activities linked to the oil-and-gas service centre should eventually foster relationships between all the economic players and public actors.

It remains a moot point how local and provincial authorities will deal with the strong top-down management especially characteristic of state-owned enterprises and how the latter can play a vital role in regional development. More transparency is required of state-owned enterprises into their inclination to share the risks in port development. Also, they must be pro-active in bringing about greater collaboration, diversification and privatisation in some of their activities. Local branches of national state-owned enterprises are in a responsible position to assist in addressing the real-life problems of Saldanha town and the GSB region.

It is essential that the main local economic players and the public actor draw on the comparative advantage of Saldanha's natural and locational characteristics which provide opportunities for the region's direct competition in the international arena for investment and development. Apart from the existing (harbour expansion, industrialisation and retail expansion) and future developments, the municipality must (re-)structure its administrations, particularly the LED department, and budgeting to give priority to the basic needs of the community and to promote their social and economic development. The three studied economic players have

to reimagine their companies' visions to include the economic, social and environmental contexts of the GSB region.

Given the primary purpose of capital accumulation by the main economic players (TNPA, Saldanha Steel and Sea Harvest) driven mainly by market forces and a favourable environment for production and reproduction, and the presence of a local authority also driven by the income factor, a severe threat is posed to the future implementation of sound collaborative governance and a multi-stakeholder agreement. The critical issue is how the economic players and authorities will bridge the gap between the protection of their own interests and the needs of communities and businesses in the towns and regions. The answer is not clear because state-owned enterprises and other state organs and agents are produced by national authorities all having certain embedded political and economic interests (the fortification and concentration of capital) in common.

It is imperative for all spheres of government, more specifically national authorities with their state-owned enterprises, to drive regional development through policy documents of a free-market system (neo-liberalism) and to find meaningful ways to connect and form partnerships with communities and businesses. As long as national authorities and their affiliates protect their vested interests through enforced policies, regulations, interventions, drastic capital cuts and delays in state-driven projects, local authorities will find it hard to be facilitators, connectors, entrepreneurs and enablers of regional development. Apart from demonstrating the evolutionary paths of the three local economic players and the public actor with their distinctive growth trajectories, path dependencies, institutional lock-ins, levels of institutional thickness and institutional effectiveness, the four case-studies underscore the importance and deeper understanding of each economic player and the public actor's role in regional development.

## **8.7 LIMITATIONS OF THE RESEARCH AND SUGGESTIONS FOR FURTHER RESEARCH**

This research on the complexities of Saldanha town and the region was undertaken over a seven-year period with a focus on the roles in the local and regional economies of the three main economic players and the local government. Over this period the local and international economic contexts changed with dire consequences for the local and regional economies of Saldanha. It must be noted that the first paper (Chapter 4) on Saldanha Steel was published in 2014, the second paper (Chapter 5) on Saldanha Port's co-evolution with the town of Saldanha in 2015 and the third paper (Chapter 6) on Sea-Harvest as backbone of the local economy in 2017. Although a case-study approach was deemed appropriate to get in-depth insights about the main economic players and their different roles in the local and regional contexts, the efforts to collect the necessary data and

information constituted a very tedious process, it was time consuming and the time frame for completing the company-specific surveys was beyond the control of the researcher. It took some players more than six months to compile all the appropriate data and information needed to return the company-specific questionnaires. To add to the latter time constraints, Saldanha Port (a state-owned enterprise) and the two multinational corporations (Saldanha Steel and Sea Harvest) were also subordinate to their national authorities or their provincial head offices from which permission had to be obtained to take part in the survey. A further obstacle was the unavailability of some historical data on production figures or total deep-sea hake catches. Saldanha Steel also refused any on-site visits. Satisfactory levels of completeness were only reached after a series of delaying meetings, emails and telephonic communications.

An important step in the envisaged research process was the hosting of a focus group discussion among the three economic players and the local government. The main aim of the discussion was to conduct a SWOT (strengths, weaknesses, opportunities, threats) analysis of the local and regional development contexts. It was also vital to hear the views of the economic players on the capacity of the SBM to provide an enabling environment for future development. Two of the players (Sea Harvest and TNPA) refused to attend the focus group discussion but after a lengthy convincing discussion and only after protracted negotiations did both firms agree to respond by email to the issues on the focus group agenda. Needless to say, their views were not the product of or subject to interaction and debate with other focus group discussants. A further shortcoming was the incapacity of certain managers of the state-owned enterprise and the multinational corporations to give their own opinions about the strengths, weaknesses, opportunities and threats of their respective institution, Saldanha town or the GSB region. The three economic players were also hesitant to share their views about future operations and strategies. The economic players were clearly more concerned about the protection of their own positions and the interests of their own firm than about the town or regions' socio-economic contexts. A serious impediment to the data collection process was the poor, even lacking, of institutional memory encountered in the municipality, especially among the senior managers in the socio-economic department. Despite all these limitations and challenges, the researcher overcame most of the problems by pleading, emailing and doing follow-up discussions and interviews with senior management of SBM, Saldanha Steel, Sea Harvest and Saldanha Port.

It is recommended that future research in the study region investigate the Military Academy's contribution to the local and regional economies of Saldanha town. The academy is a state institution that acts as an enclave development with seemingly few positive spill-over effects on Saldanha town. Research is needed to establish the nature of the relationship between the ports of Cape Town and Saldanha town and how this connection can

be strengthened to play a more positive role. Currently Saldanha Port is a receiver of excessive ‘dirty cargo’ from the Cape Town Harbour. The human dimension, the link between culture and economic development in the GSB region calls for a thorough interrogation into of the local population’s views on what can be done differently to enable an individual citizen to become part of the formal (local and regional) economy. For example, what skills do they believe can change their employment prospects in permanent positions? An examination of the retail sectors in Saldanha town and Vredenburg will, inter alia, provide valuable insights into whether and how Vredenburg’s business, specifically the West Coast Mall, are responsible for the decline in some retail types (no high-quality clothing, home stores or convenience stores) in Saldanha town.

## **8.8 FINAL OBSERVATION**

The regional development complexities of Saldanha town and the GSB region is not vested only in its geographical location, natural harbour, natural resource bases, production structures, major economic players, but also in its institutions (formal and informal) and social resources (i.e. people, their values and attitudes). All the role players (private and public) of Saldanha town and the GSB region have to collaborate (and work harder) to be more successful in their local and regional development efforts to enable the socio-economic transformation of the region. The long-term vision for town and region should be to turn away from the excessive reliance on the maximisation of profit and find the delicate balance required for the town and region to experience civilisational progress – a development path not at the cost of the environment or one that increases the inequalities of its citizens.

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**APPENDIX A: COVERING LETTER USED IN QUESTIONNAIRE SURVEY** (Saldanha Steel's role in the regional development of the Greater Saldanha Bay region)



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14/04/2014

This questionnaire survey is part of PhD research investigating the role of Saldanha Steel in regional development in the Greater Saldanha Bay region. The study is being undertaken by a student enrolled in the Department of Geography and Environmental Studies at University Stellenbosch under the guidance of Prof .SLA Ferreira. The purpose of the questionnaire is to acquire information about the evolution of Saldanha Steel and its role in regional development. Anonymity and confidentiality are guaranteed.

For more information, feel free to contact either Lesley Welman at 078 076 1722 any time or Prof. SLA Ferreira at (021) 808 3218 during office hours.

Thank you

Lesley Welman



## APPENDIX B: QUESTIONNAIRE (Saldanha Steel's role in the regional development of the Greater Saldanha Bay region)

Name: \_\_\_\_\_ (Position in firm: \_\_\_\_\_)

Date of interview: \_\_\_\_/\_\_\_\_/2014

1. Why did your firm originally locate in the Saldanha Bay region?

2. Every firm has a life cycle (product life cycle: the beginning-of-life (**BOL**), middle-of-life (**MOL**) and end-of-life (**EOL**)). In what phase is Saldanha Steel now? Please explain your answer.

3. Where do your employees come from? Indicate how many and percentage of the total labour force in the following three worker categories are sourced from the six named regions.

Source Type	West Coast		Western Cape		Eastern Cape		Gauteng		Rest of South Africa		Overseas	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Skilled												
Semi-skilled												
Unskilled												

4. Please answer the following questions about your employment profile:

4.1 How many workers make up your 2014 employment profile?

Permanent	No	Casual/temporary	No.
Skilled:		Skilled:	

4.2 Since the establishment of this firm (1998) in the Greater Saldanha Bay region, what changes in the number of permanent and temporary employed staff members have occurred? Please give the actual numbers between 1998 and 2014?

Permanent	No	Casual/temporary	No.
Skilled:		Skilled:	
Semi-skilled:		Semi-skilled:	
Unskilled:		Unskilled:	

4.3 Do the available human resources in the Greater Saldanha Bay region supply the needs (workers and staff) of your firm? Please explain your answer.

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4.4 What is your firm's procurement policy regarding the sourcing of employees and contractors from within the Greater Saldanha Bay region?

Sourcing of employees	
Sourcing of contractors	

4.5 Is it possible to give a future date of when your firm will no longer be profitable?

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5. Where does Saldanha Steel procure the following services? Please give reasons why each service is procured from specific source area. In the case of overseas cities or countries, please name them too and give reasons.

Source Service	Saldanha- Vredenburg corridor	Cape Metropolitan Area	Eastern Cape	Gauteng	Overseas: City or country
Information Technology Communication					
Engineering: Electrical Mechanical Construction					
Medical					
Worker training					
Team-building expertise					
Hospitality and catering					

6. Each plant of ArcelorMittal South Africa (Vanderbijlpark, Newcastle, Vereeniging and Saldanha) has a shutdown period for repairs. Does Saldanha Steel outsource these services to other plants or do you source only repairs from the Greater Saldanha Bay region?

7. Describe the overall pace of industrialisation in the Greater Saldanha Bay region? Also give an account of your company's experience of operating in the area.

8. Has your firm ever engaged with other stakeholders (e.g. civil society, the private sector and the public sector) in the Greater Saldanha Bay region about your firm's future activities and production directions that do or may affect the region? If yes, what were the nature and extent of these engagements and their possible impact on the region. If no, why have they not engaged with other stakeholders?

9. Which firms and industries provide service inputs to the production process?

10. Do the educational institutions in the Greater Saldanha Bay region (e.g. West Coast College and Hansing Engineering) train people with the necessary and appropriate skills to qualify for appointment at Saldanha Steel? If 'Yes', what skills does your firm require for appointments? If 'No', why do you say so?

11. What in-service training does Saldanha Steel provide for its staff regarding basic skills, education and managerial skills? Please explain.

**Basic skills:**

**Education:**

**Managerial skills:**

12. Do the existing and future facilities at Saldanha Bay Port sufficiently fulfil the present and future needs of Saldanha Steel? What are your future needs and facilities that are required?

**Existing needs:**

**Future needs:**

13. Does the Saldanha Bay Industrial Development Zone hold any future spin-offs for your firm? If 'Yes', please identify and explain the possible spinoffs for your firm. If 'No', why do you say no?

14. Will the proposed oil and gas development in Saldanha affect your firm? If 'Yes', in what ways? If 'No', why not?

15. Describe the work of the ArcelorMittal South Africa Foundation does toward social development in the Greater Saldanha Bay region.

16. What products of Saldanha Steel are destined for South Africa and export markets and why?  
What percentage does each make up of total sales?

**Local markets:**

**Export markets:**

17. Does your institution have any diversification plans? If 'Yes', what are the plans and the reasons for them? If 'No', why are you not intending to diversify?

18. What are the product strengths of the hot-rolled coil (HRC) your firm produces?

**THANK YOU FOR YOUR TIME AND CONTRIBUTION**

**APPENDIX C: COVERING LETTER USED IN QUESTIONNAIRE SURVEY** (Role of Transnet National Ports Authority in the regional development of the Greater Saldanha Bay region)



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31/03/2015

This questionnaire survey is part of PhD research investigating the role of Transnet National Ports Authority (TNPA) in regional development in the Greater Saldanha Bay region. The study is being undertaken by a student enrolled in the Department of Geography and Environmental Studies at University Stellenbosch under the guidance of Prof SLA Ferreira. The purpose of the questionnaire is to acquire information about the evolution of TNPA and its role in regional development. Anonymity and confidentiality are guaranteed.

For more information, feel free to contact either Lesley Welman at 078 076 1722 any time or Prof SLA Ferreira at (021) 808 3218 during office hours.

Thank you

Lesley Welman



**APPENDIX D: QUESTIONNAIRE** (Role of Transnet National Ports Authority in the regional development of the Greater Saldanha Bay region)

**Name:** \_\_\_\_\_ (**Position in firm:** \_\_\_\_\_)

**Date of interview:** \_\_\_\_/\_\_\_\_/2015

1. Why is the Saldanha Bay Port so important in past, present and future development of the town Saldanha and the Greater Saldanha Bay region?

2. Every firm has a life cycle (product life cycle: the beginning-of-life (**BOL**), middle-of-life (**MOL**) and end-of-life (**EOL**). In what phase is TNPA now? Please explain your answer.

3. Where do your employees in TNPA come from? Indicate how many and percentage of the total labour force in the following three worker categories are sourced from the six named regions.

Source Type	West Coast		Western Cape		Eastern Cape		Gauteng		Rest of South Africa		Overseas	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Skilled												
Semi-skilled												
Unskilled												

4. Please answer the following questions about your employment profile:

- 4.1 How many workers make up your 1994-2015 TNPA Saldanha direct port employment (jobs in handling and moving cargo at port site) profile?

<b>Permanent</b>	No							<b>Casual/ temporary</b>	No.						
	1994	1998	2002	2006	2012	2014	2015		1994	1998	2002	2006	2010	2014	2015
Skilled:								Skilled:							
Semi-skilled:								Semi-skilled:							
Unskilled:								Unskilled:							

4.2 Do the available human resources in the Greater Saldanha Bay region supply the needs (workers and staff) of your institution? Please explain your answer.

4.3 What is your firm's procurement policy regarding the sourcing of employees and contractors from within the Greater Saldanha Bay region?

<b>Sourcing of employees</b>	
<b>Sourcing of contractors</b>	

4.4 Where does TNPA procure the following port-related employment (business that sells services to ports and shipper's services)? Please give reasons why each service is procured from specific source area. In the case of overseas cities or countries, please name them too and give reasons.

Source Service	Saldanha- Vredenburg corridor	Cape Metropolita n Area	Eastern Cape	Gauteng	Overseas: City or country
Information Technology Communication					
Engineering: 1. Electrical 2. Mechanical 3. Construction					
Medical					
Worker training					
Hospitality and catering					
Team-building expertise					
Team-building expertise					

4.5 Does TNPA outsource services to other divisions at other places or do you source from the Greater Saldanha Bay region?

4.6 What was your institution's contribution to industrialisation in the Greater Saldanha Bay region? Also, give an account of your company's experience of operating in the area.

5. Has your firm ever engaged with other stakeholders (e.g. civil society, the private sector and the public sector) in the Greater Saldanha Bay region about your firm's future activities that do or may affect the region? If 'Yes', what were the nature and extent of these engagements and their possible impact on the region. If 'No', why have they not engaged with other stakeholders?

6. Which firms and industries provide service inputs to your activities in Saldanha town?

6. Do the educational institutions in the Greater Saldanha Bay region (e.g. West Coast College) train people with the necessary and appropriate skills to qualify for appointment at TNPA divisions? If 'Yes', what skills does your firm require for appointments? If 'No', why do you say so?

7. What in-service training does TNPA provide for its staff regarding basic skills, education and managerial skills? Please explain.

**Basic skills:**

**Education:**

**Managerial skills:**

9. Do the existing facilities at Saldanha Bay Port sufficiently fulfil the present export needs? What are your future needs and facilities that are required?

**Existing needs:**

**Future needs:**

10. What is the relationship between the Saldanha Bay Industrial Development Zone and the Saldanha Bay Port?

11. How will the proposed oil-and-gas development in Saldanha affect your company in terms of turnover and the creation of new jobs?

12. Describe the work the Transnet Foundation does toward social development in the Greater Saldanha Bay region.

13. What products or raw materials are destined for export through the Saldanha Bay Port? What percentage does each make up of total exports? Is it possible to list the products and raw materials (various types of cargo) as well as the volume per tonnage from 1994 to 2014 that the Saldanha Bay Port handled?

13.1 Exports (products and raw materials):

14. What imported products or raw materials are destined for the local market? What percentage does each make up of total imports? Is it possible to list the products and raw materials (various types of cargo) as well as the volume per tonnage from 1994 to 2014 that the Saldanha Bay Port handled?

14.1 Imports (products and raw materials):

15. Are there ports that your institution is connected to and for what reason(s)?

16. Are there any existing or future socio-economic plans in which TNPA is actively involved to enhance economic growth and foster social upliftment and cohesion with the broader community of the Greater Saldanha Bay region.

17. In what way is TNPA connected to the hinterland (inland)?

18. In July 2014 the South African government launched a new strategy 'Phakisa' to unlock the economic potential of South Africa's oceans and again Saldanha Bay's Port is part of the strategic plan to create jobs and alleviate poverty in the West Coast Region. How will this strategy of the government influence the economic activities of TNPA?

**THANK YOU FOR YOUR TIME AND CONTRIBUTION**



**APPENDIX E: COVERING LETTER USED IN QUESTIONNAIRE SURVEY** (Sea Harvest's role in the regional development of the Greater Saldanha Bay region)



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**QUESTIONNAIRE ON THE QUANTITATIVE DATA OF SEA HARVEST IN SALDANHA**

31/08/2015

This questionnaire survey is part of PhD research investigating the role of Sea Harvest in regional development in the Greater Saldanha Bay region. The study is being undertaken by a student enrolled in the Department of Geography and Environmental Studies at University Stellenbosch under the guidance of Prof. SLA Ferreira. The purpose of the questionnaire is to acquire information about the evolution of Sea Harvest and its role in regional development. Anonymity and confidentiality are guaranteed.

For more information, feel free to contact either Lesley Welman at 078 076 1722 any time or Prof. SLA Ferreira at (021) 808 3218 during office hours.

Thank you

Lesley Welman

**APPENDIX F: QUESTIONNAIRE** (Quantitative survey on Sea Harvest's role in the regional development of the Greater Saldanha Bay region)

**Name:** \_\_\_\_\_ (**Position in firm:** \_\_\_\_\_)

**Date of interview:** \_\_\_\_/\_\_\_\_/2015/2016

**Quantitative data:**

**1. Economic history**

1.1 What was the Total Allowable Catch for hake from 1964 to 2015?

Year	TAC	Year	TAC	Year	TAC	Year	TAC	Year	TAC
1964		1975		1986		1997		2008	
1965		1976		1987		1998		2009	
1966		1977		1988		1999		2010	
1967		1978		1989		2000		2011	
1968		1979		1990		2001		2012	
1969		1980		1991		2002		2013	
1970		1981		1992		2003		2014	
1971		1982		1993		2004		2015	
1972		1983		1994		2005			
1973		1984		1995		2006			
1974		1985		1996		2007			

1.2 Sea Harvest hake allocations in tons from 1964 to 2015:

Year	Tons	Year	Tons	Year	Tons	Year	Tons	Year	Tons
1964		1975		1986		1997		2008	
1965		1976		1987		1998		2009	
1966		1977		1988		1999		2010	
1967		1978		1989		2000		2011	
1968		1979		1990		2001		2012	
1969		1980		1991		2002		2013	
1970		1981		1992		2003		2014	
1971		1982		1993		2004		2015	
1972		1983		1994		2005			
1973		1984		1995		2006			
1974		1985		1996		2007			

Year	Tons	Year	Tons	Year	Tons	Year	Tons	Year	Tons
1964		1975		1986		1996		2008	
1965		1976		1987		1997		2009	
1966		1977		1988		1998		2010	
1967		1978		1989		2000		2011	
1968		1979		1990		2001		2012	
1969		1980		1991		2002		2013	
1970		1981		1992		2003		2014	
1971		1982		1993		2004		2015	
1972		1983		1994		2005			
1973		1984		1995		2006			
1974		1985		1996		2007			

Year	Employment	Year	Employment	Year	Employment	Year	Employment	Year	Employment
1964		1975		1986		1997		2008	
1965		1976		1987		1998		2009	
1966		1977		1988		1999		2010	
1967		1978		1989		2000		2011	
1968		1979		1990		2001		2012	
1969		1980		1991		2002		2013	
1970		1981		1992		2003		2014	
1971		1982		1993		2004		2015	
1972		1983		1994		2005			
1973		1984		1995		2006			
1974		1985		1996		2007			

2.1.1 Name the three major hake products that are destined for the export market and the volume per tonnage from 1964 to 2015?

Year	Tons	Year	Tons	Year	Tons	Year	Tons	Year	Tons
1964 1.		1975		1985		1995		2005	
2.									
3.									
1965 1.		1976		1986		1996		2006	



### 2.1.2 What was the volume of export frozen hake in tonnage from 1964 to 2015?

Year	Tons	Year	Tons	Year	Tons	Year	Tons	Year	Tons
1964		1975		1986		1997		2008	
1965		1976		1987		1998		2009	
1966		1977		1988		1999		2010	
1967		1978		1989		2000		2011	
1968		1979		1990		2001		2012	
1969		1980		1991		2002		2013	
1970		1981		1992		2003		2014	
1971		1982		1993		2004		2015	
1972		1983		1994		2005			
1973		1984		1995		2006			
1974		1985		1996		2007			

### 2.1.3 What was the volume in tonnage of frozen hake for the local market from 1964 to 2015?

Year	Tons	Year	Tons	Year	Tons	Year	Tons	Year	Tons
1964		1975		1986		1997		2008	
1965		1976		1987		1998		2009	
1966		1977		1988		1999		2010	
1967		1978		1989		2000		2011	
1968		1979		1990		2001		2012	
1969		1980		1991		2002		2013	
1970		1981		1992		2003		2014	
1971		1982		1993		2004		2015	
1972		1983		1994		2005			
1973		1984		1995		2006			
1974		1985		1996		2007			

## 3. Local employment profile and economic contribution:

During 2008 Sea Harvest undertook a Socio-Economic Impact Assessment through the University of Cape Town to independently verify Sea Harvest's contribution to the West Coast and the surrounding areas.

3.1 Has their finding changed since 2008? What has changed? If yes, please complete the missing information for 2015.

	2008		2015	
	ZAR	Proportion of GRP	ZAR	Proportion of GRP
Sea Harvest contribution to the gross regional product (GRP)	R 277 million	10%		
Direct income tax paid	<b>Direct and indirect income Tax</b> R33 million			
Marine levies and licenses	R7.35 million			
Other (please specify)				
Total contribution to national government	R88.9			
Number of job opportunities and proportion of total employment in the Saldanha Bay Municipality	<b>Number of jobs</b>  1539	<b>Proportion of total household income</b>		
Number of job opportunities and proportion of total employment in the town of Saldanha	1244	17.2%		
Contract workers reside in Saldanha town	852 (83%)			
Contract workers reside elsewhere	136 (13%)			
Indirectly responsible for about all household income in the Greater Saldanha Bay region	<b>Contributor to the Greater Saldanha Bay's economy</b>  35%			
	<b>Electricity, water and refuse removal per year:</b>	<b>Contribution to SBM income</b>		

Electricity	R7.96	11.5%		
Water	R2.20 million	3.9%		
Refuse removal	R118 thousand			
Procurement of goods	200 local companies			

3.2 What was Sea Harvest's expenditure on West Coast base suppliers for 2015?

2008	2015
Approxiamately R54 milllion	
Indirect first round employment Employment between 178 and 247	First-round indirect employment
Annual salaries of between R9.8 million and R13.6 million	
Indirect second-round employment	
Employment between 1098 and 1738	
Annual wage bill of between R60 million and R95 million	

3.3 Where do you source your employees? Indicate how many of your workers are sourced from the following six towns and the Cape Metropole in 2015

Source	Saldanha	Vredenburg	St. Helena Bay	Paternoster	Hopefield	Langebaan	Cape Metropole
Type	No.	No.	No.	No.	No.	No.	No.
Skilled							
Semi-skilled							
Unskilled							

**THANK YOU FOR YOUR TIME AND CONTRIBUTION**

**APPENDIX G: COVERING LETTER USED IN QUESTIONNAIRE SURVEY** (Sea Harvest's role in the regional development of the Greater Saldanha Bay region)



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31/08/2015

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For more information, feel free to contact either Lesley Welman at 078 076 1722 any time or Prof SLA Ferreira at (021) 808 3218 during office hours.

Thank you

Lesley Welman



**APPENDIX H: QUESTIONNAIRE** (Qualitative survey on Sea Harvest's role in the regional development of the Greater Saldanha Bay region)

**Name:** \_\_\_\_\_ (**Position in firm:** \_\_\_\_\_)

**Date of interview:** \_\_\_\_/\_\_\_\_/2015/2016

**Qualitative data:**

**1. Site factors**

1.1 What factors have influenced your firm to locate in the Greater Saldanha Bay region?

**2. Operational strategies (vertical integration)**

2.1 The catching of white fish (hake) and other by-catches is limited to a certain period of the year, but still your institution has managed to keep your workers on a permanent base. How do you manage and succeed in this?

2.2 Every firm has a life cycle (product life cycle: the beginning-of-life (**BOL**), middle-of-life (**MOL**) and end-of-life (**EOL**)). In what phase is Sea Harvest now? Please explain your answer.

2.3 Sea Harvest has been operating for more than 50 years. What are your future plans regarding your role in the development of the town Saldanha and the Greater Saldanha Bay region?

2.4 Sea Harvest is well-known for its strong 'brand'. How do the company capitalise on this strong brand position?

2.5 Sea Harvest and Irvin & Johnson are the two largest deep-sea hake-processing plants in South Africa. Do you compete for resources, human capital and market access? Is there any form of collaboration between these two companies? Please explain.

2.6 Apart from your normal fish-processing operations, have you ever embarked on other economic activities and joint ventures with other companies (local, provincial, national or international) that contribute to the local economy? Please explain.

**3. Local employment profile:**

3.1 What is your firm's procurement policy regarding the sourcing of employees and contractors from within the Greater Saldanha Bay region?

Sourcing of employees	
Sourcing of contractors	

**4. Establishment of institutional thickness (formal and informal):**

4.1 Has your firm ever engaged with other stakeholders (e.g. civil society, the private sector and the public sector) in the Greater Saldanha Bay region about your firm's future activities that will affect the region? If 'Yes', what were the nature and extent of these engagements and their possible impact on the region. If 'No', why have they not engaged with other stakeholders?

4.2 Do the educational institutions in the Greater Saldanha Bay region (e.g. West Coast College) provide appropriate education, training and skills development to qualify for an appointment at Sea Harvest? What skills does your firm require for appointments?

4.3 Are there any mutual agreements and collaboration with educational institutions regarding the training of students? Please elaborate.

4.4 What in-service training does Sea Harvest provide for your staff regarding basic skills, education and managerial skills? Please explain.

**Basic skills:**

**Education:**

**Managerial skills:**

## 5 Infrastructure

5.1 Does the existing infrastructure at your Saldanha plant sufficiently fulfil the present operational needs?

What are your future needs and facilities that are required?

**Existing needs:**

**Future needs:**

## 6 Institutional support:

6.1 What is the relationship between the local municipality and the company?

6.2 What can the municipality do to improve the enabling business environment in the Greater Saldanha Bay region?

## 7 Corporate Social responsibility

7.1 Describe the work of the Sea Harvest Foundation in the Greater Saldanha Bay region.

## **8 Shares for Employees**

8.1 Explain the main aim of the Brimstone Empowerment Share Trust (BEST)?

**THANK YOU FOR YOUR TIME AND CONTRIBUTION**

## APPENDIX I: INVITATION LETTER TO STAKEHOLDERS FOR PARTICIPATION IN FOCUS GROUP DISCUSSION



Reference No.: 12/1/1/28

David Joubert: Senior Manager – Strategic

23 August 2016

### **SALDANHA BAY MUNICIPAL AREA: INDUSTRY STAKEHOLDER FOCUS GROUP DISCUSSION**

The Saldanha Bay Municipality is planning a focus group discussion with key stakeholders (Sea Harvest, National Transnet Ports Authority, ArcelorMittal South Africa – Saldanha Works and Duferco Steel Processing) to identify and embark on a collective strategy that will combat the high unemployment rate in the Saldanha Bay region and also how will institutions retain jobs.

It is crucial for the region and especially above-mentioned institutions to find meaningful ways of networking-strategies that will ultimately increase this region's competitiveness and regional development.

Date : Friday, 26 August 2016  
Time : 11:00am  
Venue : 17 Main Street, Vredenburg, 7380 (Committee room of the Municipal Manager)

It will be dearly appreciated if you and a team member are willing to participate in such a focus group discussion in order to find place-base solutions (apart from the Spatial Development Initiatives) to our region's problematic.

Enquiries can be directed to Mr David Joubert at  
your attendance by close of business on Wednesday, 24 August 2016.

. Kindly RSVP

Yours faithfully

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**Mr. JG MARAIS**  
**ACTING MUNICIPAL MANAGER**